Bumitama Agri Ltd.

Excellence Through Discipline

ANNUAL REPORT 2019

CONTENTS

OUR VISION

To be a leading CPO producer
through continuous improvement;
focus on productivity, cost efficiency,
sustainability and growth.

OUR MISSION

To enhance shareholder's value; to improve
the benefits and quality of life of our
employees; to improve the welfare of the
local communities and the environment.

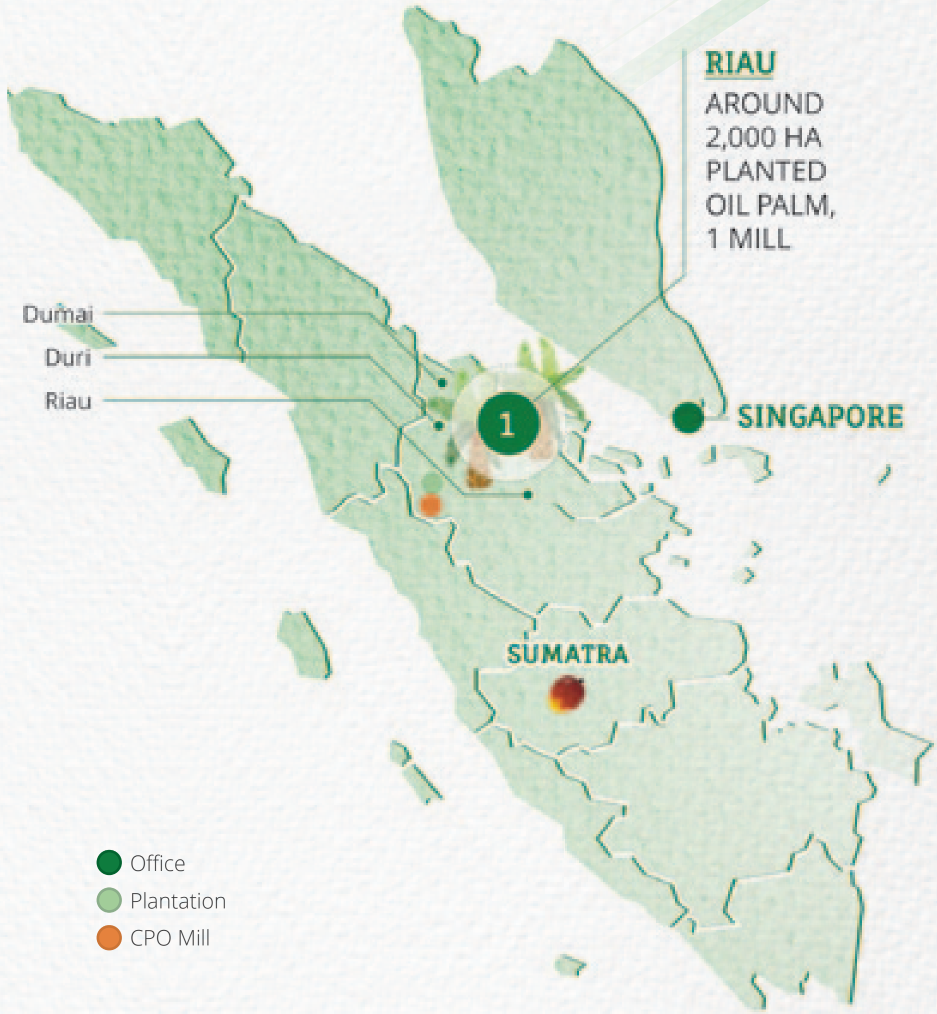
CORPORATE PROFILE

Bumitama Agri Ltd. ("**Bumitama**" or the "**Group**"), founded in 1996 and listed on the Singapore Exchange in 2012, is one of the leading producers of crude palm oil ("**CPO**") and palm kernel ("**PK**") in Indonesia. The Group is principally engaged in the cultivation of oil palm trees, as well as the harvesting and processing of fresh palm fruit bunches ("**FFB**") into CPO and PK, which are then sold to refineries in Indonesia.

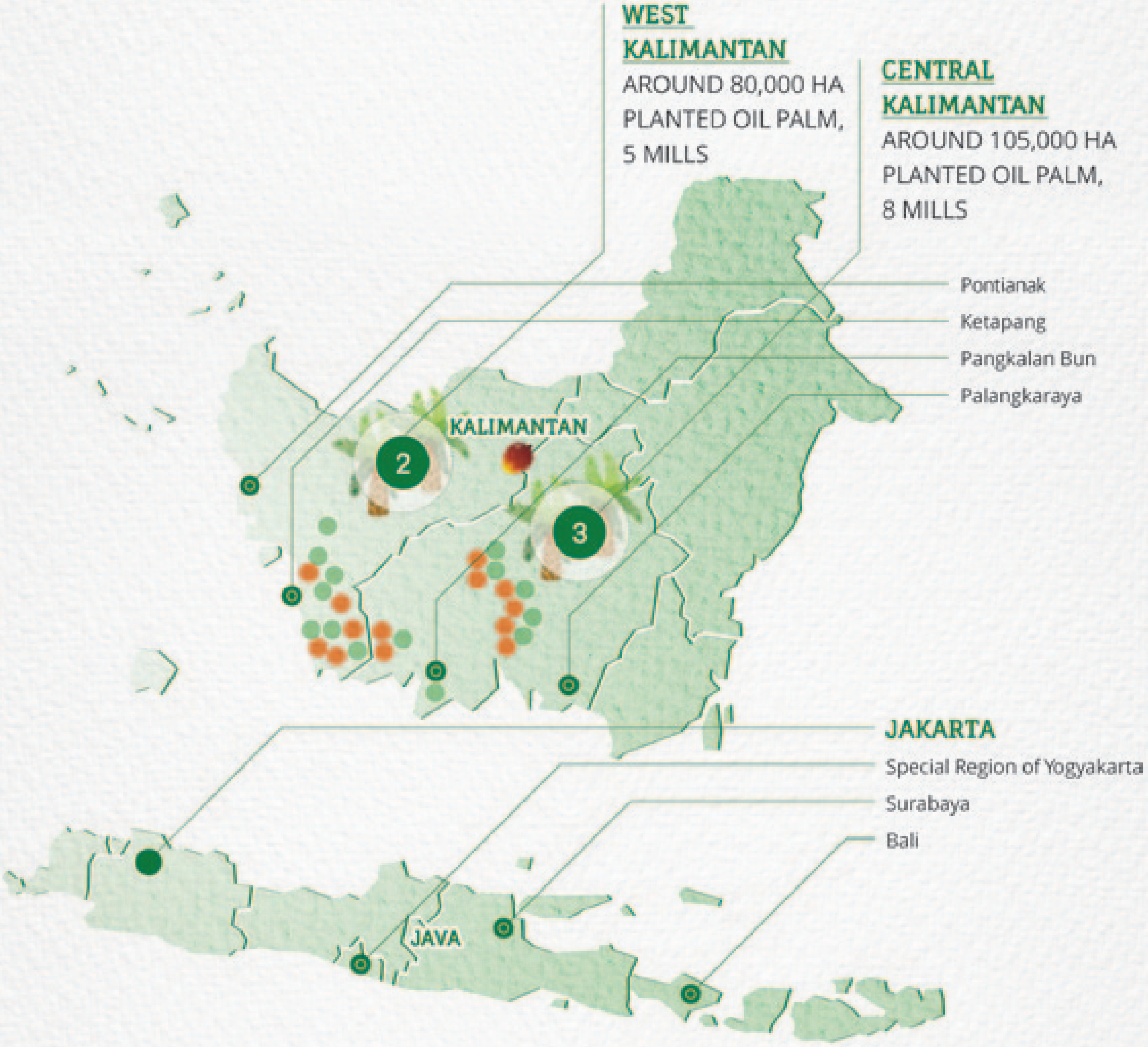
Bumitama manages a total planted area of 187,567 hectares of which 29.3% are allocated for plasma smallholders, located across the Indonesian provinces of Central Kalimantan, West Kalimantan and Riau. The Group's oil palm trees are relatively matured, with a weighted average age of 10.6 years as at 1 January 2020. With 90.7% of the planted area in the mature category as at 31 December 2019, Bumitama is poised to take advantage of production growth opportunities as the oil palm trees mature and achieve peak production.

The Group places strong emphasis on achieving better yields and extraction rates through investments in research and development, and good agricultural practices. To ensure the timely processing of FFBs, and to maintain a high-quality CPO output, Bumitama operates 14 CPO mills that are strategically located in close proximity to its plantations, with a total FFB processing capacity of 5.85 million metric tonnes per annum. The advantageously-located CPO mills also allow the Group to reduce transportation costs as well as its carbon footprint, embodying Bumitama's sustainability objectives.

As one of the first few oil palm growers in Southeast Asia to adopt a "No Deforestation, No Peat and No Exploitation" policy, the Group remains firmly committed to sustainability. Bumitama is a member of the voluntary and internationally-recognised Roundtable on Sustainable Palm Oil ("**RSPO**") non-governmental organisation, and also adheres to the mandatory requirements of the Ministry of Agriculture's Indonesian Sustainable Palm Oil certification scheme. Bumitama has achieved seven RSPO certificates as at 31 December 2019, and is on track towards securing RSPO certification for all mills and plasma smallholder schemes by 2024. Apart from achieving certification for its own plantations and mills, Bumitama actively engages and guides independent smallholders towards obtaining such certifications as part of its social responsibility efforts.



The Group is honoured to have received numerous awards and accolades over the years. These include being listed in Forbes Asia's 200 Best Under a Billion list (2013), Frost & Sullivan Indonesia Excellence Award (2014), The Edge Billion Dollar Club — Most Profitable Company (Agriculture Sector) (3 years in a row in 2017, 2018, 2019), Asiamoney Awards — Most Outstanding Company in Singapore for the decade (2010-2019), Overall Most Outstanding Company in Singapore (2018), Most Outstanding Company in Singapore (Small Cap) (2018, 2019), Most Outstanding Company in Singapore (Consumer Staple) (2018), Best Overall for Corporate Governance (2015, 2016), Best for Investor Relations (2015, 2016), Best for Corporate Social Responsibility (2015, 2016), Best Managed Small Cap Company (2016), Best for Disclosure and Transparency (2016), Best for Shareholders' Rights and Equitable Treatment (2016) and Best for Responsibilities of Management and the Board of Directors (2016).



CHAIRMAN'S MESSAGE

Gunawan H. Lim
Executive Chairman and Chief Executive Officer

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the FY2019 Annual Report for Bumitama Agri Ltd. ("**Bumitama**" or "**the Group**").

The Year in Review

Sentiment for the year 2019 was subdued with the International Monetary Fund indicating 3.0 percent global growth, its lowest since 2008-2009. The slowdown was attributed to rising trade and geopolitical tensions which took a toll on business confidence, investment, global manufacturing and trade.

This less than optimal global business environment and expectation of growth in palm supply had kept palm prices subdued in 2019. Prices fell to MYR 1,951 per MT in the second quarter. Conversely in December 2019, the falling palm stock in Indonesia and Malaysia, and the weak oil palm production arising from extremely dry and hot weather pushed palm prices above MYR 2,500 per MT. Volatility in palm prices has become the new norm, deviating from the widely accepted 10 year commodity price cycle.

This was also the year that Indonesia held its Presidential Election. The general Indonesian public and the business community were especially relieved with the Constitutional Court's decision in June 2019, upholding the election results, ending months of political and economic uncertainty.

Despite these challenges, we remain positive on the long-term outlook of the industry. The year 2019 was a year that we demonstrated our resilience by continuing to grow the Group's potential to sustainably create value for our stakeholders in face of a volatile palm oil price, lower production and severe weather.

Financial and Operating Performance

For the fiscal year under review, the Group recorded revenue of IDR 7,691 billion, an 8.2% reduction from IDR 8,377 billion in FY2018. This was largely due to weaker palm oil prices attributable to oversupply in the first half of the year. Fortunately, there was a respite towards the end of the year as prices rose due to a supply shortfall in Indonesia and Malaysia.

The Group's gross profit fell 27.4% from FY2018 at IDR 1,733 billion. EBITDA followed closely with a 29.3% drop to IDR 1,694 billion as compared to the IDR 2,395 billion of the prior financial year. Meanwhile, net profit fell by 35.1% to IDR 840 billion. Despite the challenges that we faced in 2019, Bumitama remained profitable.

Bumitama's balance sheet was healthy while generating strong positive cash

> Despite the immense challenge resulting in a softer performance, Bumitama remains profitable and maintained a healthy balance sheet with a positive cash flow.

flow. The Group's robust financial position augurs well for strategic investment opportunities and provides a safety net for challenges in the business environment.

In 2019, the Group has strategically reviewed its investments and initiated the sale of 28% interest in each of PT Sawit Nabati Agro and PT Berkat Agro Sawitindo to Oleander Capital Resources Pte Ltd., an associate of IOI Corporation Berhad. This divestment will allow the Group to refocus its resources and attention on its subsidiaries.

The Group's internal FFB production stayed almost flat at 3.3 million metric tonnes ("**MT**") in 2019. This accounts for 71.6% of total production with external FFB production at 1.3 million MT.

From a yield perspective, both FFB and crude palm oil ("**CPO**") yield were lower, due to the effects of dry and hot weather. FFB yield fell by 6.4% to 19.1 MT per hectare, while CPO yield dipped 4.4% to 4.3 MT per hectare. However, the extraction rates for both CPO and palm kernel ("**PK**") did improve with the CPO extraction rate edging up to 22.7% from 22.1% and the PK extraction rate at 4.7%, up from 4.4%. These higher extraction rates can be attributed to improvements in our mills processes.

We have expanded the Group's total planted area by 1.3% or 2,402 hectares to 187,567 hectares. However, going forward, expansion with large hectarage will be challenging given the country's moratorium on the issuance of new permits for plantations. As of 1 January 2020, the Group's oil palm trees have a weighted average age of 10.6 years with 7,000 hectares of planted area reaching maturity. Our relatively young palm age profile offers significant long-term upside in production growth.

Maintaining Financial Stability

For the year under review, Bumitama issued MYR 700 million of Islamic Medium-Term Notes. The net proceeds were mainly used to refinance existing debt. The well-timed issuance of these notes allowed us access to funding at a competitive rate. As sukuk valuation is based on the value of assets backing them, it is a testament to our strong financial position. In addition, RAM Ratings has reaffirmed Bumitama's AA_3 rating with a stable outlook.

Share Buyback

In connection with 2019 Share Buyback Mandate (as of 19 March 2020), the Group bought back 2,107,800 shares representing 0.12%

CHAIRMAN'S MESSAGE

of the total outstanding shares. This programme underlines the Group's confidence in the prospect of our business.

Our Commitment to Sustainability

This past year represented the fifth year of Bumitama's Sustainability Policy. The Group is happy to report that since its inception in 2015, it has made considerable progress on all facets of its sustainability commitments by improving on environmental, social and productivity aspects of our operations.

In 2019, Bumitama was awarded seven RSPO certificates and four ISPO certificates, while being able to trace more than 98% of external FFB to its plantation. In addition, two of the Village Land-Use Programmes initiated 3 years ago have advanced to implementation of Social Forestry partnerships with local communities.

To ensure our programmes remain relevant and up-to-date, Bumitama will form collaborations with expert organisations and local communities. We will continue to innovate and improve towards the achievement of our sustainable development goals.

Dividends

While it has been a challenging year, we remain committed to enhancing shareholder value balanced against the need to prepare for future growth. The Group is proposing a final one-tier tax exempt cash dividend of S$0.012 per share, subject to approval at the upcoming annual general meeting. Together with the interim one-tier tax exempt cash dividend of S$0.0038 per share paid on 17 September 2019, total cash dividends will amount to S$0.0158 per share for FY2019.

Outlook

For FY2020, the business climate appears challenging and uncertain as macroeconomic and geopolitical factors (such as the continued economic impact from the Novel Coronavirus outbreak, the US-China trade war, uncertainty in crude oil due to breakdown of pact between Russia and OPEC, and a more intense dry season due to a possible El Nino effect) can all have a huge impact on the global economy and the palm industry.

Nevertheless, we are positive of our prospects and are on track with our yield improvement program and are looking at initiating new processes and automation at the operational level. We aim to increase internal production of FFB by 10 percent in 2020.

For FY2020, Bumitama is targeting new plantings of up to 1,000 hectares supported by IDR 1.0 trillion set aside for investment fixed assets. A portion of these funds will go towards building our 15th mill, which will be operational in 2021.

At Bumitama, we remain upbeat on the long-term outlook of the oil palm industry. As a growing plantation company, we are well-positioned

At Bumitama, we remain upbeat on the long-term outlook of the oil palm industry. As a growing plantation company, we are well-positioned to unlock sustainable value for our stakeholders.

to unlock sustainable value for our stakeholders. Our targets include continuing to increase CPO production and maintaining our high CPO extraction rate. The Management will intensify efforts to monitor, review and make changes that will enhance yield improvement in the newly matured and marginal areas, and to strengthen the effectiveness and the efficiency of all operations to enhance profitability of the Group.

Awards

Our efforts for the year under review have gained recognition. We were awarded The Edge Billion Dollar Club 2019: Most Profitable Company (Agriculture Sector) by The Edge Singapore. We also received the award for Most Outstanding Company in Singapore – Small Cap Sector and Most Outstanding Company in Singapore for the Decade 2010-2019 from Asiamoney Award. Lastly, Bumitama became a Distinguished Member of "Singapore's Fastest Growing Companies 2020" as awarded by The Straits Times and Statista.

Acknowledgement

At Bumitama, we understand that progress can only be achieved together with our stakeholders. On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers, staff and various partners for the faith they have placed in us. We will endeavour to be worthy of your trust.

I would also like to take the opportunity to thank Mr. Tan Boon Hoo, who has announced his retirement and resignation as Independent Director, for his contribution to the Company over the past seven years.

Please join me in welcoming our new Lead Independent Director, Mr. Lee Lap Wah George, and our new Independent Director, Mr. Lawrence Lua Gek Pong. We look forward to working closely with them to steer Bumitama to greater heights.

In closing, I would like to share that we cannot drive major industry change alone, but we are willing to take the lead where we can make a positive difference. We are here in this business for the long term.

Yours faithfully,

GUNAWAN H. LIM
Executive Chairman and
Chief Executive Officer

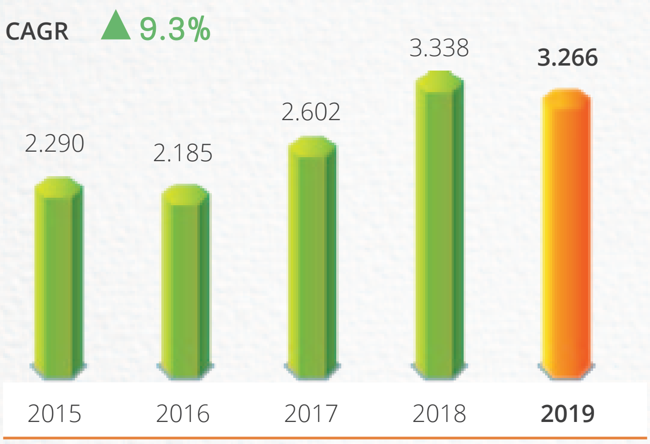
23 March 2020

OPERATIONAL & FINANCIAL HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

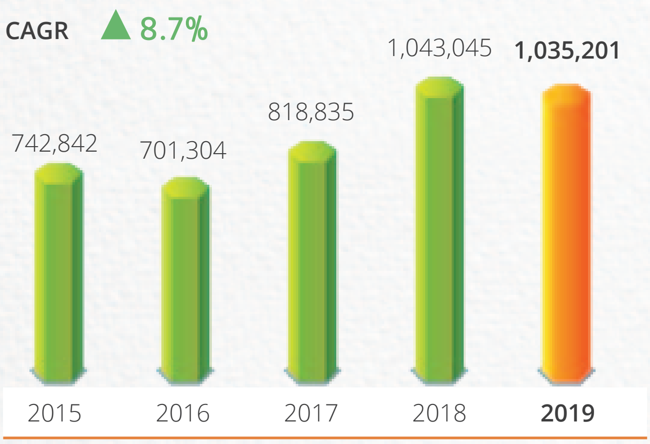
FINANCIAL YEAR	2019	2018	2017	2016	2015
PLANTATION AREA (Hectares)					
Total Planted Area	**187,567**	**185,165**	**182,675**	**175,243**	**164,177**
Old & Mature	170,053	162,815	158,083	147,513	126,283
Immature	17,514	22,350	24,592	27,730	37,894
Nucleus Planted Area	**132,643**	**132,431**	**131,421**	**128,966**	**119,679**
Old & Mature	117,590	113,238	110,699	104,970	89,211
Immature	15,053	19,193	20,722	23,996	30,468
Plasma Planted Area	**54,924**	**52,734**	**51,254**	**46,277**	**44,498**
Old & Mature	52,463	49,577	47,384	42,543	37,072
Immature	2,461	3,157	3,870	3,734	7,426
Planted Area by Location					
Kalimantan	185,258	182,856	180,366	172,934	161,868
Riau	2,309	2,309	2,309	2,309	2,309
PRODUCTION VOLUME (Metric Tonnes)					
Fresh Palm Fruit Bunches ("FFB")	**3,266,483**	**3,338,234**	**2,602,224**	**2,185,440**	**2,290,189**
Nucleus	2,231,353	2,276,866	1,784,729	1,513,422	1,578,815
Plasma	1,035,130	1,061,368	817,495	672,018	711,374
Crude Palm Oil ("CPO")	**1,035,201**	**1,043,045**	**818,835**	**701,304**	**742,842**
Palm Kernel ("PK")	**213,065**	**208,311**	**166,224**	**138,175**	**141,589**
PRODUCTIVITY					
FFB Yield per Mature Hectare (metric tonnes)	**19.1**	**20.4**	**16.4**	**14.6**	**17.8**
CPO Yield per Mature Hectare (metric tonnes)	**4.3**	**4.5**	**3..7**	**3.3**	**4.1**
CPO Extraction Rate (%)	**22.7**	**22.1**	**22.7**	**22.7**	**22.9**
PK Extraction Rate (%)	**4.7**	**4.4**	**4.6**	**4.5**	**4.4**

FRESH FRUIT BUNCHES PRODUCTION
(MILLION METRIC TONNES)

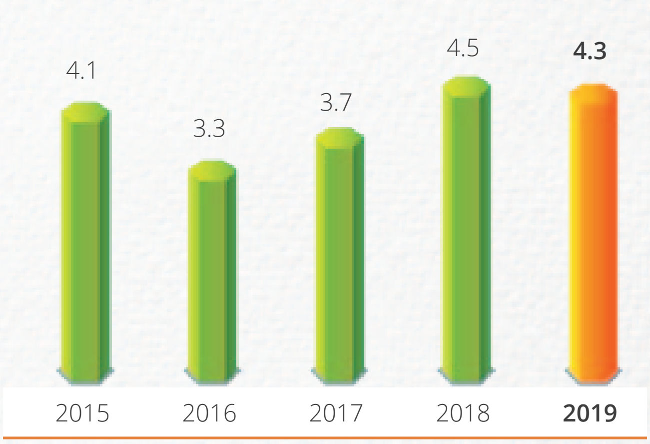


FRESH FRUIT BUNCHES YIELD
(METRIC TONNES/MATURE HECTARE)

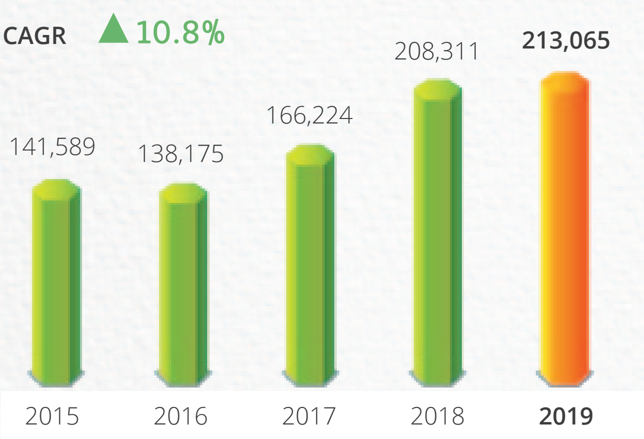
CRUDE PALM OIL PRODUCTION
(METRIC TONNES)



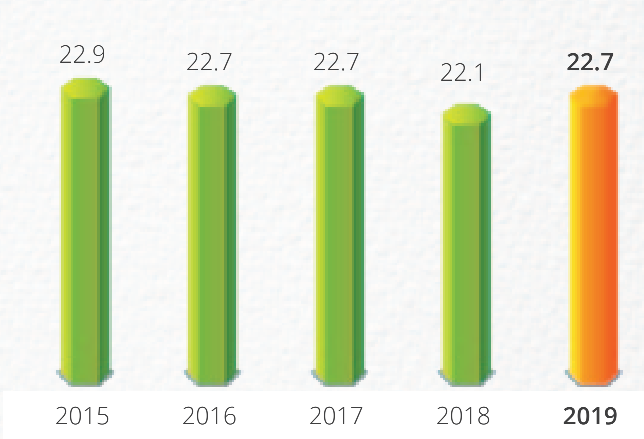
CRUDE PALM OIL YIELD
(METRIC TONNES/MATURE HECTARE)



PALM KERNEL PRODUCTION
(METRIC TONNES)



CRUDE PALM OIL EXTRACTION RATE
(METRIC TONNES/MATURE HECTARE)



OPERATIONAL & FINANCIAL HIGHLIGHTS

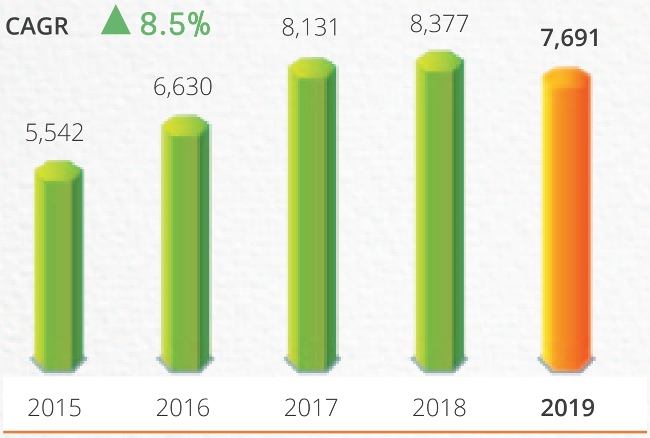
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR	2019	2018	2017	2016	2015
INCOME STATEMENT (IDR Billion)					(Restated)
Revenue	**7,691**	8,377[1]	8,131	6,630	5,542
Gross Profit	**1,733**	2,387	2,389	1,976	1,655
Fair Value Change in Biological Assets	**20**	(48)	36	27	(91)
Profit before tax	**1,193**	1,705	1,894	1,551	1,002
EBITDA	**1,694**	2,395	2,427	1,925	1,531
Net Profit	**840**	1,295	1,424	1,188	806
Net Profit Attributable to Owners of the Company	**686**	1,097	1,193	1,005	714
EPS Attributable to Owners of the Company (IDR per Share)[2]	**392**	627	682	572	406
BALANCE SHEETS (IDR Billion)					
Total Assets	**17,444**	16,539	15,290	14,767	14,372
Total Current Assets	**2,506**	2,410	1,906	2,295	3,056
Total Current Liabilities	**1,721**	6,427	1,278	1,915	3,276
Total Non-current Liabilities	**6,292**	1,112	5,540	5,330	4,889
Total Equity	**9,431**	9,000	8,472	7,522	6,207
Equity Attributable to Owners of the Company	**8,082**	7,771	7,449	6,718	5,661
FINANCIAL STATISTICS					
Revenue Growth	**(8.2%)**	3.0%	22.6%	19.6%	(3.7%)
Gross Profit Margin	**22.5%**	28.5%	29.4%	29.8%	29.9%
Operating Profit Margin	**14.1%**	22.0%	23.9%	23.9%	22.7%
EBITDA Margin	**22.0%**	28.6%	29.8%	29.0%	27.6%
Net Profit Margin	**10.9%**	15.5%	17.5%	17.9%	14.5%
Return on Equity[3]	**8.5%**	14.1%	16.0%	15.0%	12.6%
Return on Assets[4]	**3.9%**	6.6%	7.8%	6.8%	5.0%
Net Debt[5]/Total Equity (Times)	**0.7**	0.6	0.5	0.6	0.8
Debt/Total Equity (Times)	**0.7**	0.6	0.6	0.6	0.9
Net Debt[5]/Total Assets (Times)	**0.4**	0.3	0.3	0.3	0.3

Remarks:

1 Reclassfied
2 The earnings per share has been computed based on the Company's total number of issued shares excluding treasury shares as at each balance sheet date
3 Return on Equity = Net Profit Attributable to Owners of the Company / Equity Attributable to Owners of the Company
4 Return on Assets = Net Profit Attributable to Owners of the Company / Total Assets
5 Net Debt = Interest bearing debts less cash and bank balances

REVENUE
(IDR BILLION)

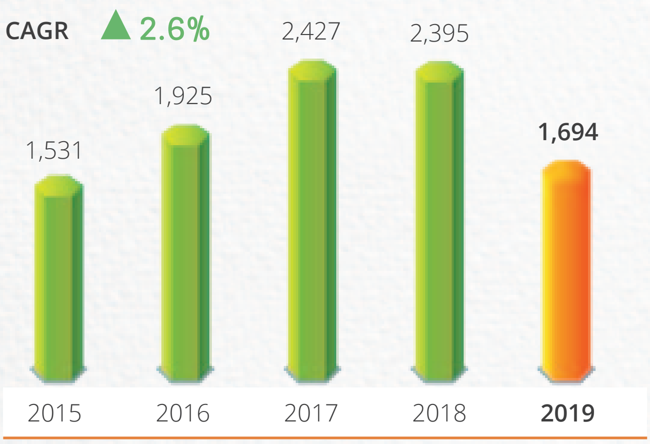


(Reclassified)

NET DEBT PER TOTAL ASSETS
(TIMES)

(Restated)

EBITDA
(IDR BILLION)

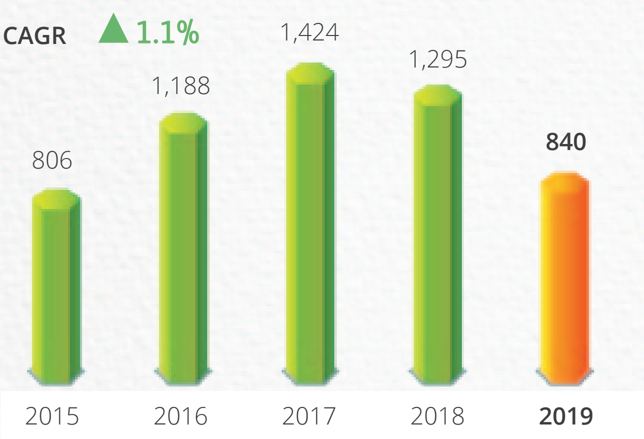


(Restated)

DEBT PER TOTAL EQUITY
(TIMES)

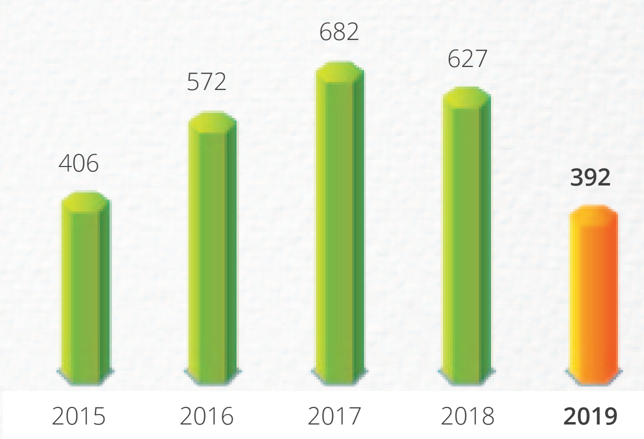
(Restated)

NET PROFIT
(IDR BILLION)



(Restated)

BASIC EARNINGS PER SHARE
(IDR PER SHARE)



(Restated)

OPERATIONAL & FINANCIAL REVIEW

MEETING CHALLENGES WHILE STRENGTHENING OPERATIONS, SYSTEMS AND FINANCIALS FOR THE FUTURE

For the year ended 31 December 2019 ("**FY2019**"), Bumitama Agri Ltd. ("**Bumitama**" or the "**Group**") weathered a challenging year with resilience and strength; 2019 was a year of lower palm prices, poor crop production, dry and hot weather amidst slower global economic growth.

Bumitama's total internal fresh palm fruit bunches ("**FFB**") production volume for FY2019 was largely similar to FY2018 at 3.27 million metric tonnes ("**MT**"). Of that total, FFB nucleus contributed 2.23 million MT while plasma made up the remaining 1.04 million MT. FFB yield per hectare held steady at 19.1 MT per hectare, as compared to the 20.4 MT per hectare for FY2018 especially after taking into account the long and hot dry spells of 2019. External FFB volumes amounted to 1.3 million MT for FY2019 as compared to 1.4 million MT for FY2018. The total internal FFB was at 71.6% compared to 70.8% in 2018 which reflects a healthier and stronger composition between internal and external fruits.

Production of crude palm oil ("**CPO**") remained stable at 1.0 million MT. CPO yields were lower at 4.3 MT per hectare compared to 4.5 MT per hectare in the previous year, but the impact of the operational improvement implemented at the mill is reflected in CPO extraction rates improving by 2.7% to 22.7% while Palm Kernel ("**PK**") extraction rates were up 6.8% to 4.7%.

For FY2019, Bumitama's total planted area grew by 1.3% to 187,567 hectares; this is to ensure all required assessment and review for new planting inclusive of free, prior and informed consent are fulfilled. The enlarged area is divided into nucleus and plasma planted areas which occupy 132,643 hectares and 54,924 hectares or 70.7% and 29.3% respectively. The Group's mature hectarage expanded by 4.4% to a total of 170,053 hectares; providing the Group with high potential for production growth and yield improvement.

The weighted average age of the Group's palm trees as of 1 January 2020 is 10.6 years. This translates into a relatively young matured palm tree profile with a horizon of production growth opportunities as the trees mature and reach peak production. We continue to drive and improve productivity, to maximise the Group's asset, the oil palm trees.

FINANCIAL REVIEW

Group revenue amounted to IDR 7,691 billion for the financial year ended 31 December 2019, a drop of 8.2% compared to 2018. CPO sales volume was basically flat at 1 million MT for both year 2019 and 2018. However PK sales volume was higher with 218,657 MT of PK sold for FY2019, a 6.9% increase from FY2018. Average selling prices for palm oil products were volatile for most of 2019 due to concerns of oversupply and a weaker global economy, before climbing in October. The average selling price of 2019 of the Group for CPO dropped 4.7% to IDR 6,696 per kg.

Cost of sales was mostly unchanged at IDR 5,958 billion as compared to IDR 5,990 billion of FY2018 although gross profit dropped 27.4% mainly because of lower revenue. We exercised careful control over spending, prudently using resources throughout our operations in view of lower revenue.

Interest income rose 13.2% to IDR 187 billion for FY2019 as compared to IDR 165 billion in FY2018. The rise mainly consists of interest income earned from advances extended to the plasma farmers.

General and administrative expenses was higher by 12.1% to IDR 295 billion for FY2019 mainly due to an increase in salaries and employee benefits.

The bulk of the Group's selling expenses comprised of freight and loading charges, and amounted to IDR 353 billion for FY2019. The higher selling expenses were mainly attributable to higher CPO sales with Cost, Insurance and Freight terms compared to previous periods, as well as additional barges rented to expedite loading and delivery of palm products to customers during the year.

Bumitama's finance cost increased by 20.2% to IDR 240 billion in FY2019 mainly due to higher London Interbank Offered interest rates.

The Group recorded a net foreign exchange gain of IDR 160 billion in FY2019 mainly due to translation on USD denominated borrowings in the Group's IDR financial statements as a result of the appreciation of IDR against USD during the year. This is in contrast with the net foreign exchange loss of IDR 57 billion in FY2018.

OPERATIONAL & FINANCIAL REVIEW

In accordance with the Singapore Financial Reporting Standards (International) 1-41 *Agriculture* ("**SFRS(I) 1-41**"), agriculture produce growing on bearer plants are measured at fair value less cost to sell. The Group recorded an increase in fair value changes in biological assets that amounted to IDR 20 billion based on market value of the agricultural produced as at 31 December 2019.

The Group continues to be profitable, with a net profit of IDR 840 billion and EBITDA of IDR 1,694 billion.

FINANCIAL POSITION

As at 31 December 2019, the Group's total assets increased to IDR 17,444 billion from IDR 16,539 billion. During the same period, the Group's total liabilities increased to IDR 8,013 billion from IDR 7,539 billion previously.

Total current assets rose by IDR 96 billion to IDR 2,506 billion from IDR 2,410 billion in FY2018. The increase was mainly due to the increase in cash and short-term deposits which was partially net off by the decrease in trade and other receivables. The decrease in trade and other receivables was mainly due to lower revenue during the year.

As at 31 December 2019, the Group's total non-current assets increased by IDR 809 billion to a total of IDR 14,938 billion from IDR 14,129 billion previously. This was mainly due to the increase in plasma receivables by IDR 726 billion to IDR 2,442 billion arising from advances given to plasma farmers mainly for the maintenance of immature plasma plantations.

Current liabilities decreased by IDR 4,707 billion from IDR 6,427 billion to IDR 1,721 billion as of 31 December 2019. This was mainly due to repayment of the first and second tranches of Islamic Medium Term Notes ("**IMTN**") which matured in March and September 2019 respectively, as well as realisation of their related derivative financial liabilities.

As of end-2019, the Group's total non-current liabilities increased by IDR 5,181 billion from IDR 1,112 billion to IDR 6,292 billion, arising mainly from the issuance of a 5-year term loan along with third and fourth tranches of IMTN as refinancing for the matured IMTNs during the year.

In FY2019, Bumitama reported positive free cash flow amounting to IDR 276 billion despite recording lower revenue. The net cash flow from operating activities of IDR 1,206 billion in FY2019 was sufficient to support the Group's investing activities of IDR 930 billion, which was mainly advances given to plasma farmers as well as purchase of property, plant and equipment. For the year under review, the Group postponed the construction of a mill to 2020.

The Group recorded net cash used in financing activities amounting to IDR 69 billion due to the refinancing of first and second tranches of IMTN by the issuance of the 5-year term loan as well as third and fourth tranches of IMTN. It was offset by higher interest paid as a result of the increase in borrowings from refinancing activities as well as dividend payments.

Taking the aforementioned into account, the Group reported a net increase in cash and cash equivalents of IDR 207 billion as at 31 December 2019, bringing the cash and bank balances to IDR 504 billion.

CORPORATE MILESTONES

1996

- Acquired first land bank of 17,500 hectares in Central Kalimantan

1998

- Commenced planting

2003

- Commissioned first CPO mill (in Central Kalimantan)

2004

- Commenced planting programme with 7,719 hectares planted, bringing total planted area to 18,773 hectares

2007

- Surpassed 50,000 hectares planted area
- IOI Group acquired 33% stake

2010

- Surpassed 100,000 hectares planted area

2011

- Commissioned the sixth CPO mill, with mills processing capacity of 2.07 million tpa

2012

- Listed on the Mainboard of the Singapore Exchange in April

2013

- First dividend payment
- Received Forbes Asia 200 "Best Under A Billion" Award 2013

2014

- Received "Frost & Sullivan Indonesia Excellence Award 2014"

2015

- Received "Asiamoney Award" for 3 categories in Singapore:
  - Best Overall for Corporate Governance
  - Best for Investor Relations
  - Best for Corporate Social Responsibility

2016

- Received "Asiamoney Award" for all 7 categories in Singapore:
  - Best Managed Small Cap Company
  - Best Overall for Corporate Governance
  - Best for Disclosure and Transparency
  - Best for Shareholders' Rights and Equitable Treatment
  - Best for Responsibilities of Management and the Board of Directors
  - Best for Investor Relations
  - Best for Corporate Social Responsibility
- One of Bumitama's Management team, Ms. Christina Lim has also been awarded the "Best Executive in Singapore."

2018

- Received "Asiamoney Award" for 3 categories in Singapore:
  - Overall Most Outstanding Company in Singapore
  - Most Outstanding Company in Singapore (Small Cap)
  - Most Outstanding Company in Singapore (Consumer Staple)

2019

- Awarded the "Most Profitable Company" (Agriculture Sector) from The Edge Billion Dollar Club, 3 years in a row from 2017 till 2019
- Received "Asiamoney Award" for 2 categories in Singapore:
  - Most Outstanding Company in Singapore (Small Cap)
  - Most Outstanding Company in Singapore for the decade 2010 - 2019
- 14 CPO mills with processing capacity of 5.85 million tpa

BOARD OF DIRECTORS

LIM GUNAWAN HARIYANTO

Executive Chairman and Chief Executive Officer

Mr. Lim Gunawan Hariyanto, Executive Chairman and Chief Executive Officer of Bumitama, joined the Group in 1997 when he was appointed Director of PT Karya Makmur Bahagia. Mr. Gunawan was first appointed to the Board on 23 March 2012 and re-elected on 22 April 2019. He is responsible for the formulation of the Group's business and corporate policies and strategies, business development as well as business and operations management.

Mr. Gunawan developed his expertise in business operations and development based on his knowledge and experience garnered in the palm oil industry over the past 22 years. Mr. Gunawan started his career in 1984 as the Vice President Director of PT Tirta Mahakam Resources Tbk., where he was in charge of the operational and business development of the company.

Mr. Gunawan graduated from the University of Southern California in 1981 with a Bachelor of Business Administration.

LIM CHRISTINA HARIYANTO

Executive Director

Ms. Lim Christina Hariyanto, Executive Director of the Company, joined the Group in 2012 as the Head of Investor Relations. Ms. Christina was first appointed to the Board on 1 June 2017 and re-elected on 23 April 2018. She is responsible for strengthening the communication channels between the Company and the financial industry. Through analyst meetings and investor conferences, she strives to heighten awareness and understanding of Bumitama's business among the investment and financial communities. Her efforts were recognised by Asiamoney who awarded Bumitama the "Best in Investor Relations in Singapore" in 2015 and 2016. Asiamoney also awarded Ms. Christina for "Best Executive in Singapore" in 2016.

She started her career as an Investment Analyst at Nomura Securities. She subsequently developed Harita Kencana Sekuritas from a small brokerage house to a well-known medium-sized company which is actively involved in equities trading and advisory services. In 2000, her firm was voted in the top quartile in the rankings by Investor Magazine. In 2005, 2006, and 2007, Asiamoney ranked Harita Kencana Sekuritas as the fourth best local brokerage in Indonesia. In 2009, Harita Kencana Sekuritas was awarded the Best Securities Company in its asset category by Investor Magazine.

Ms. Christina was a member of the Indonesia Stock Exchange (**IDX**) Discipline Committee from 2004 to 2009. She is currently the President Commissioner of Harita Kencana Sekuritas.

Ms. Christina graduated from the University of Southern California with a Bachelor of Business Administration in 1990.

DATO' LEE YEOW CHOR

Non-Executive Director

Dato' Lee Yeow Chor, a Non-Executive Director of Bumitama, was first appointed to our Board on 23 March 2012 and re-elected on 23 April 2018. He is presently the Group Managing Director and Chief Executive of IOI Corporation Berhad, a Malaysian company which is a leading global palm oil player, and a Board Member of IOI Properties Group Berhad. Dato' Lee was first appointed to the Board of IOI Corporation Berhad as Group Executive Director in 1996, and to the Board of IOI Properties Group Berhad in 2013.

Dato' Lee qualified as a barrister from Gray's Inn, London. He holds an LLB (Honours) from King's College London and a Postgraduate Diploma in Finance and Accounting from the London School of Economics.

Prior to joining IOI Group as a General Manager in 1994, Dato' Lee served in various capacities in the Attorney General's Chambers of Malaysia and the Malaysian Judiciary for about four years. He held the position of Magistrate when he left for the private sector.

Dato' Lee is the Chairman of the Malaysian Palm Oil Council and serves as a Council Member in the Malaysian Palm Oil Association. He was also a member of the Board of Directors of Bank Negara, the Central Bank of Malaysia, from 2015 to 2018.

LEE LAP WAH GEORGE

Lead Independent Director

Mr. Lee Lap Wah George, an Independent Director of Bumitama, was appointed to our Board on 1 June 2017 and re-elected on 23 April 2018. Mr. Lee was appointed as the Lead Independent Director of the Company in place of Mr. Tan Boon Hoo with effect from 1 January 2020. Mr. Lee is also an Independent Director of RE&S Holdings Limited and Wearnes-Starchase Limited.

From April 2016 to July 2017, Mr. Lee was an advisor to the CEO and Management Committee at Oversea-Chinese Banking Corporation ("**OCBC**") Malaysia Bhd. Mr. Lee served as an Executive Vice President and Head of Global Corporate Banking at OCBC from February 2012 to April 2016. Prior to this, he was Executive Vice President and Head of Group Investment Banking of OCBC Limited since 2002. Mr. Lee started his career as a Finance Officer in the Group Treasury Department of Keppel Shipyard in 1978 and joined Marine Midland Bank in 1982 as Assistant Vice President. Subsequently, Mr. Lee held managerial positions in various merchant banking units based in Singapore. In 1989, he was appointed Country Manager for Security Pacific Asian Bank. In 1993, he joined Credit Suisse Singapore as Head of Corporate Banking for South East Asia and left as Director, Corporate Lending of Credit Suisse First Boston in 1998 before joining OCBC.

Mr. Lee was awarded the Chartered Financial Analyst (**CFA**) in 1987 and currently sits on the advisory panel of CFA Singapore. Mr. Lee obtained his Bachelor of Business Administration (Honours) from the University of Singapore in 1976.

LIM HUNG SIANG

Independent Director

Mr. Lim Hung Siang, an Independent Director of Bumitama, was appointed to our Board on 1 June 2018 and re-elected on 22 April 2019.

During his corporate life, Mr. Lim had extensive experience running several companies in the transport and engineering sectors, within the Singapore Automotive Engineering Group and ComfortDelGro Corporation. He also has extensive experience in business development and merger/acquisitions in Europe, Australia and China, as well as the starting up and operation of new business units.

After his retirement as Senior Executive Vice President of ComfortDelgro Corporation in 2007, he was appointed as an advisor and consultant for several companies in Singapore, China and France.

Mr. Lim obtained both his Bachelor of Engineering (Mechanical) (First Class Honours) and Master of Science (Industrial Engineering) degrees from the University of Singapore in 1973 and 1979, respectively. He attended the Senior Executive Programme at Stanford University, USA, in 1989.

LAWRENCE LUA GEK PONG

Independent Director

Mr. Lawrence Lua Gek Pong, an Independent Director of Bumitama, was appointed to our Board on 1 January 2020.

Mr. Lua is currently the Managing Director and Senior Advisor to DBS Private Bank, having stepped down from his previous role as Deputy Global Head with effect from 1 January 2020. He joined DBS Private Bank in 2011 as the Managing Director and Head of South East Asia and was also a Member of the DBS Singapore Management Committee. Prior to that, Mr. Lua held senior positions in Bank Julius Baer from 2009 to 2011, and Merrill Lynch International Bank from 1999 to 2009. He was the Global Market Head at Citibank Private Bank from 1991 to 1999.

In addition to his role in DBS, Mr. Lua contributes actively to the banking industry, and is the Chairman of the IBF Private Banking Industry Workgroup and a Member of the IBF Standards Committee. He also serves on the Advisory Board of Wealth Management at Singapore Management University. Beyond banking, Mr. Lua had previously held positions and served in various community-based organisations, including the Citizens' Consultative Committee and Town Council. He continues to serve as the Founding Chairman of the Board of Governors for Sparkletots Child Development Centre (Telok Blangah), a not-for-profit child development organisation since 1991. An ardent supporter of CSR, he is currently a mentor to two social enterprises involved in helping marginalised women, youth-at-risk and ex-offenders.

Mr. Lua started his banking and finance career with the Monetary Authority of Singapore as a Senior Officer after graduating with a Bachelor of Social Science (Honours in Economics) from the National University of Singapore in 1982. He has over 38 years of banking experience and was conferred a Fellow by the Institute of Banking and Finance.

KEY MANAGEMENT

JOHANNES TANUWIJAYA
Chief Strategy Officer

Mr. Johannes Tanuwijaya is the Group's Chief Strategy Officer. He joined the Group in 2003 and was previously Director and Chief Financial Officer of PT Windu Nabatindo Abadi, a subsidiary of the Group. He is responsible for overseeing the Group's strategic and commercial activities and reports to our Chief Executive Officer.

Mr. Johannes started his career in 1990 as an Audit Manager at Prasetio Utomo & Co (Arthur Andersen), where he was involved in the projects of two telecommunication companies in Indonesia seeking dual listing on the Indonesia Stock Exchange and the New York Stock Exchange. In 1996, he joined PT Bira Aset Manajemen as a Director, where he was responsible for the operations and financial matters of the company. In 1999 and 2000 respectively, Mr. Johannes was appointed as the Corporate Secretary and Director cum Chief Financial Officer of PT Tirta Mahakam Resources Tbk., where he oversaw its listing on the Indonesia Stock Exchange.

Mr. Johannes obtained his Bachelor of Economics degree in 1991 from the University of Indonesia.

ROEBIANTO
Chief Operating Officer

Mr. Roebianto is the Group's Chief Operating Officer. He joined the Group in 2003 as General Manager in the engineering division of Bumitama Gunajaya Agro ("**BGA**"). He oversees and controls the Group's overall operational activities, including the plantation, engineering and human resource departments. Mr. Roebianto started his career as a Field Superintendent in the Planning Engineering Department of Indo Plywood (Salim Group) in 1982 and was subsequently promoted to various managerial positions within the Salim Group during his tenure with them. Mr. Roebianto left the Salim Group in 1999 and was appointed as Director at Chua Sea Joo Plywood Industry Sdn Bhd, Malaysia, from 1999 to 2003. He also spent four months in 2003 as General Manager in PT Tirta Mahakam Resources Tbk. prior to joining BGA.

Mr. Roebianto obtained his Bachelor of Civil Engineering degree in 1982 from the Christian University of Indonesia.

SIE EDDY KURNIAWAN
Chief Financial Officer

Mr. Sie Eddy Kurniawan is the Group's Chief Financial Officer. He joined the Group in 2013 and is responsible for the Group's finance, accounting, and ICT department. He started his career in 1994 as a financial auditor with Arthur Andersen and left as a senior auditor in 1996 to join the financial advisory services of PricewaterhouseCoopers, where he rose to become Associate Director. In 2005, he was recruited by Sampoerna Strategic Group as Business Development Executive, and in 2007, he was appointed Chief Financial Officer of PT Sampoerna Agro Tbk., a plantation company listed on the Indonesian Stock Exchange.

Mr. Eddy obtained his Bachelor of Economics degree in 1994 from Parahyangan Catholic University.

SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY REPORT

SUSTAINABILITY MILESTONES

2012

Listed on the Mainboard of the Singapore Exchange

2013

Stakeholders raised sustainability related concerns

2014

Piloted Rapid HCSA & Peat Study For 55,000 hectares

Received first two RSPO certificates and one ISPO certificate

2015

Announced NDPE policy and issued inaugural Sustainability Report

2016

Phased out paraquat across all operations

2017

- Inaugurated landscape corridor project - BBCP in Ketapang, West Kalimantan
- Secured KEE for conservation areas in Ketapang, West Kalimantan

2018

- Successfully handheld independent smallholders in Central Kalimantan to first RSPO certificate

2019

- First RSPO certificate for plasma smallholders of PT ASM
- Obtained seven RSPO certificates
- Completed 98% traceability of FFB to plantation
- Collaborated in PPI Compact partnership for Ketapang with Regent and other stakeholders

2020

- First Biogas power plant scheduled for commissioning in Riau
- All mills will be equipped with composting or similar facility to reduce GHG from production waste

Up to 2024

- Will complete certification of all mills by 2021 (* as per timebound plan)
- Will have commissioned 2 new biogas facilities by 2022
- Will have implemented breastfeeding facilities company-wide by 2023
- Will complete all certification of plasma smallholders by 2024 (* as per timebound plan)

SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

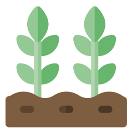
PUTTING POLICY TO ACTION

At Bumitama, the Sustainability ethos of *People, Planet and Prosperity* has been imbued into all aspects of our business. It is our vision to go beyond improving the key aspects of our operations, to work together with other stakeholders to contribute towards the growth of communities, improve on the resilience of ecosystems and look into reducing our carbon footprint, all while promoting palm oil as a sustainably and responsibly-produced commodity.

We are continuously reviewing and adjusting our processes to keep up with the laws and regulations. We recognised sustainability, human rights and labour standards and requirements reflecting the market expectations on palm oil production today. Consistent with the dynamic nature of the palm oil industry, we communicate our latest Sustainability and Corporate Social Responsibility ("**CSR**") programmes through our Sustainability Dashboard with news releases and announcements, as well as through this annual report and stand-alone biennial sustainability reports.

The year 2019 marks the fifth year of our Sustainability Policy. In this course of time we have made considerable strides to deliver on the Policy's four objectives: Forest Conservation and Sustainable Land Use, Respect for Local Community Rights, Respect for Workplace Human Rights and Certification, Traceability and Responsible Sourcing. Over the five years, our commitment has matured with implementation on the field. Despite the challenges, we remained steadfast and persistent in our work to overcome most of them.

There is still much to be done to meet all our sustainable goals and targets. There are certain areas where we have yet to meet our expectations. These have now been internally labelled as critical and additional focus will be placed on resolving them. Further details can be found in the relevant sections of this report and a summary of our plans and achievements is in the table on page 38.



Creating a Balanced Development Profile

With the inception of our 2015 Sustainability Policy of "No Deforestation, No Peat and No Exploitation", sustainable land use has been embedded into the foundation of our operational principles. In line with the latest Roundtable on Sustainable Palm Oil ("**RSPO**") Principles & Criteria ("**P&C**") 2018 and the current Indonesian national regulations, assessments on High Conservation Value ("**HCV**"), Social Impact Assessment ("**SIA**"), *Amdal* (Environmental Impact Assessment), High Carbon Stock ("**HCS**") and peat are essential prior to every new land development.

As such, all HCV assessments for our newly acquired concessions have since 2016 been reviewed by the HCV Resource Network ("**HCV RN**"), in accordance with the requirement set by the RSPO P&C. As of 31 December 2019, 7 assessments have received approval, for the purpose of the RSPO New Planting Procedure ("**NPP**"):

Company	Date of Approval	Evaluation Status
PT Agriplus ("PT AGP")	2 December 2019	Satisfactory
PT Damai Agro Sejahtera ("PT DAS")	18 October 2019	Satisfactory
PT Hungarindo Persada ("PT HPE")	29 November 2018	Satisfactory
PT Raya Sawit Manunggal	14 August 2018	Satisfactory
PT Gemilang Makmur Subur ("PT GMS")	25 October 2016	Satisfactory
PT Investa Karya Bakti	11 August 2016	Satisfactory
PT Karya Bakti Agro Sejahtera 3	11 August 2016	Satisfactory

With the adoption of the revised 2018 RSPO P&C and its effort to halt deforestation, any new land clearing has to be preceded by a combined HCV - HCS assessment. This meant that while some of our companies that have completed the stand-alone High Carbon Stock Approach ("**HCSA**") (PT GMS, PT DAS and PT HPE) or are undergoing the stand-alone HCSA (PT AGP) can complete and continue to NPP, there are others that have previously completed NPP but now have to undergo the new integrated assessment and review by the HCV RN, prior to further new planting (PT Tanah Tani Lestari, PT Lestari Gemilang Intisawit, PT Nabati Agro Subur, PT Agro Manunggal Sawitindo and PT Karya Makmur Langgeng). Areas identified as HCV, HCS and peat in these assessments are set aside and conserved by the company together with the local communities and expert organisations. To date, we have identified a total of 39,380 hectares of conservation areas. The details of different conservation types (which may overlap) can be seen in the following table.

Conservation Set-aside areas

Year/Ha	HCV	HCS	Peat	Total
2017	22,310	10,817	6,115*	36,560
2018	23,780	11,599	6,115*	39,380
2019	23,780	11,599	6,115*	39,380

* 2,682 hectares overlap with HCS

Our HCV task force assessed the conditions of these set-aside areas so that we can implement rehabilitation as and when necessary, in accordance with our commitment to restore any non-compliant deforestation. On top of our own assessment we have received queries from our stakeholders, which have added to a total of 143.19 hectares of community owned land.

SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Greenhouse Gas Emissions

Climate change poses significant risks to our planet, communities and our operations, and a part of our Policy is committed to the reduction of greenhouse gas ("**GHG**") emissions. We recognise and support Indonesia's national goal of cutting down on GHGs by 29% of projected levels by the year 2030, and follow the RSPO P&C in monitoring and implementing reduction of GHG emissions from existing plantations and new developments, using the latest version of the RSPO PalmGHG calculator.

To prevent releasing large amounts of GHGs from development of new plantations, especially from peatlands, Bumitama consciously adheres to its commitments of no deforestation and no peat development, which is also in line with the RSPO requirement to achieve GHG emissions reduction. Since the inception of the Policy and in compliance with the revised RSPO NPP, our Group has carried out land cover stratification for all our new land clearing and planting. Thus far, we have completed four analyses, which all yielded a negative carbon balance.

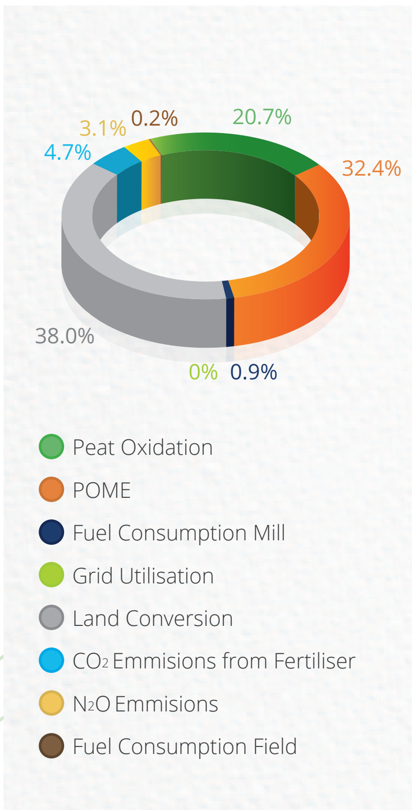
Our Group has also made efforts to ensure that emissions levels from our existing operations are reduced and contained. The emission calculation of our 7 certified mills revealed emissions for these plantations and mills operations as 1.38 tonnes of carbon dioxide per tonne of Crude Palm Oil ("**CPO**") produced. This increase is because of lower production levels recorded in these areas. We have

estimated that if our production remained on the same level as in 2018, the emissions rate from these mills would have been approximately 1.3 tonnes carbon dioxide per tonne of CPO which is on par with last year's data.

We systematically identify means to reduce GHG emissions at their source. With 32.4% of Bumitama's emissions originating from palm oil mill effluent

Emissions Sources And Sinks (MT CO_{2e}/year)

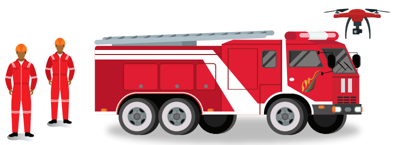
Gross Emissions by Type



("**POME**"), our Group has been exploring ways to reduce or eliminate POME emissions, and even contribute towards Indonesia's goal of achieving a renewable energy mix of 23% in 2025. In December 2019, we initiated a new collaboration to develop another two PLN grid connected biogas to electricity projects in Kalimantan, in addition to one on-going project in Riau. Through these facilities, methane in biogas feedstock from our mills will be channeled to generate clean, reliable energy for the region.

Since our pilot in 2017/18, we now have 8 of our mills equipped with composting facilities, with plans to ensure all other 6 mills have such facilities by the end of 2020/beginning of 2021. Spraying the empty fruit bunch ("**EFB**") with POME in a process called co-composting; we turn our production waste into organic fertiliser that will be reapplied into soil, while considerably reducing GHG emissions. Some researchers estimate that this could lead up to 76% reduction of GHG emissions from these sources.

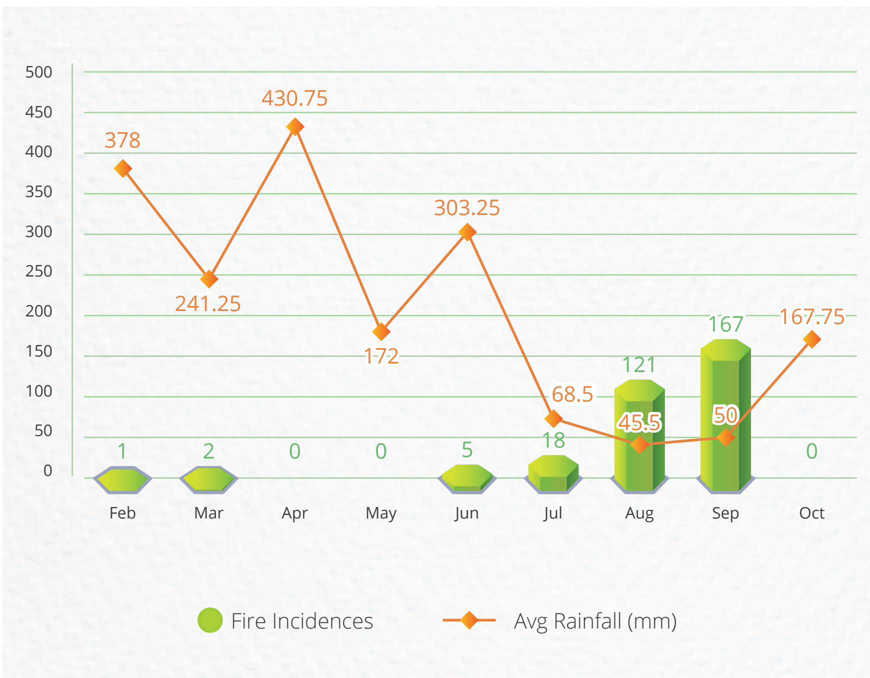
Fire Management Programme



In accordance with our commitment to Forest Conservation and Sustainable Land Use, the Group adopts a resolute stance against any use of fire in our concessions. This serves to safeguard the health and safety of our employees, communities and biodiversity within our lands, as well as our operational productivity. We monitor hotspots daily in all our concessions, and specialised teams patrol our areas for fires on the ground. We also collaborate with neighbouring companies and villages in the prevention and swift management of any ignited fires.

In 2019, our areas felt the impact of the unusually dry and hot season that affected Indonesia. We regret that a total of 314 incidences of fire occurred inside our permits, impacting 779 hectares of planted and 970 hectares of unplanted land. The heaviest impact of fire incidences were inside of our Bumitama Biodiversity and Community Project ("**BBCP**"). Strong wind propelled fire over large areas of inaccessible forest terrain and dry vegetation; making it extremely hard to extinguish. Our team of trained fire-fighters was dispatched to the area to face the raging flames around the clock. However, the distance and inaccessible terrain made it difficult to manage the fire. Fire-fighting equipment including heavy tank trucks full of water had to be assisted by slow-moving bulldozers and excavators into the forested terrain. This was often worsened by the changing direction of the wind, which can instantly turn the burning flames around. Fortunately, none of our staff were injured, but we lost one excavator trying to reach the centre of the flames.

2019 Fire Incidences and Average Rainfall by months



SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

From our records, we have established that most of the fires inside and around our concessions were caused by human activities, despite the general awareness of the community and others on the ban on the use of fire for land clearing. In 2019, our "Manggala Agni"-trained fire management team continued to join forces with the local villages, neighbouring concessions, the Natural Resources Conservation Agency ("**BKSDA**"), *Polhut* Forest Police, Local Police and Army to conduct patrols.

We have engaged the local community through *Desa Bebas Api and Masyarakat Peduli Api* fire-free village incentives programmes, in which several initiatives for community areas with a history of fire incidents were organised since 2016. For 2019, 40 villages were provided with incentives for implementing procedures that helped them to remain fire-free.

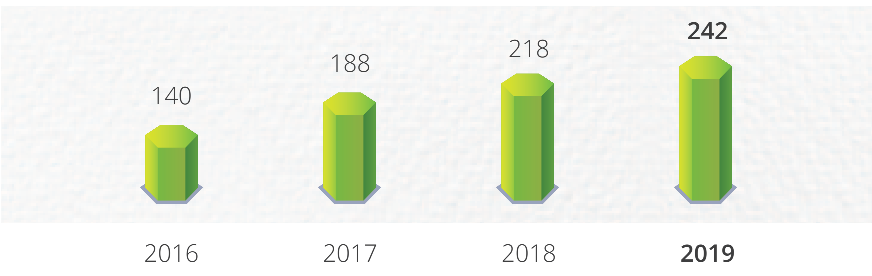
As the weather extremes are getting worse and more frequent yearly, concerted effort from multiple parties will be necessary to minimise the risks of fires. Our experience shows that this is best done through well-implemented landscape-based CSR programmes that help to sustainably utilise unused and weed-filled community land, instil best management practices and offer alternatives to the traditional method of land preparation. Bumitama will intensify re-socialisation events on the dangers of using fire for land clearing and introduce natural pest and fertilisation methods to curtail damage in areas of our plantation permits. In the coming years we will be working with our partners to alleviate the resultant environmental damage through rehabilitation together with local stakeholders and experts.

Integrated Pest Management and Water Management

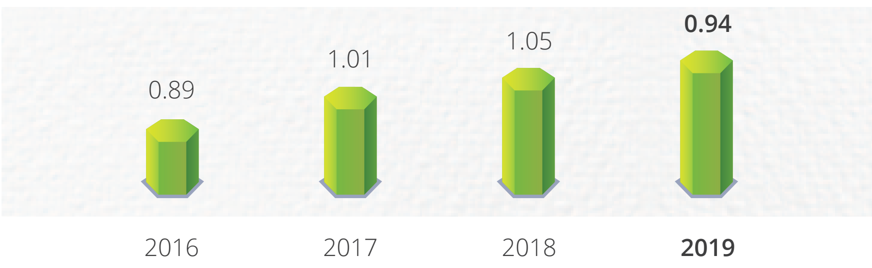
Bumitama successfully eliminated the use of paraquat within all of its operations since 2016. However, replacing it with different potentially less hazardous alternatives have resulted in the overall increase of the toxicity figures. On the other hand, we have been able to register a downward trend in the use of inorganic fertiliser with compost and rodenticide, thanks to our owl programme. Going forward our Research and Development department team will work to identify natural (predators) and other substitutes that are less toxic for the environment. The Group will continue to study ways to strengthen its efforts in sustainable pest management.

In Bumitama we implement a sustainable pest management approach which ensures minimal impact on surface and ground water quality and availability. Safe, clean water is vital for our efforts to conserve biodiversity, and provide healthy environmental services for our communities and our employees. We are looking into alternative ways to harness and increase the availability of water for various uses, even for the communities, by having more ponds, drains and even tanks.

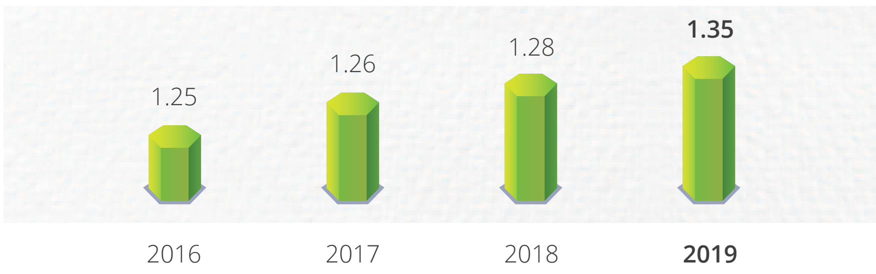
Toxicity Units Per Planted Hectare (LD50/ha)



Inorganic fertiliser usage per hectare (MT/Ha)



Water Usage by Mill (M^3/MT FFB)

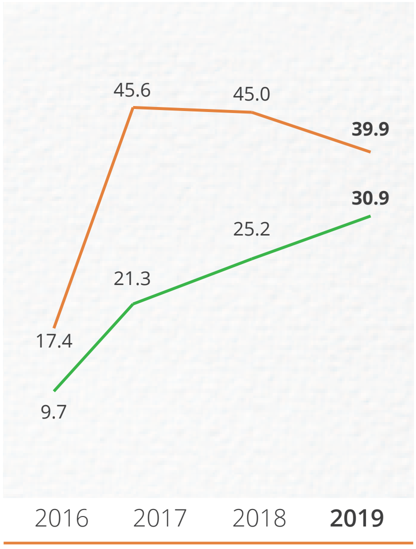


Occupational Safety and Health

We strongly believe that a healthy workforce and community is integral to our success for they are the assets of the company. Reflecting on the persistently high levels of accident rates, improving the safety of our workers, contractors and visitors is our primary concern, and providing a safe working environment has been at the forefront of our worker engagement activities. As we still fall behind our commitment to decrease the accident rate by 40% from the 2014 baseline, we recognise that significant work has to be done in this area. We are implementing organisational changes with the key objective of reaching our goal, which we will inform on progressively.

In consideration of the need for a safe and secure working environment for our employees, we regularly conduct reviews of operating procedures, taking into account prior precedents and statistical data to refine them, and adopting Occupational Health and Safety Assessment Specification (OHSAS) 18001 practices. To ensure that safety regulations are not just documented but also enforced and practiced on the ground, we empower our safety inspectorate team with oversight across all departments and operations of our Group, with the end goal of greatly cutting down on the occurrences of workplace accidents and to achieve zero fatalities.

Accidents



Severity rate (average number of days lost per 1,000,000 working hours)

Lost time incident rate (recordable injuries*1,000,000/working hours)

Fatalities

Others
Fall
Mill machinery
Traffic accident

In 2019, we sadly lost 4 valued members of our staff to work-related accidents. Although we have reduced accidents occurrence in mill or caused by fall, we however have to put more effort and innovation onto other areas like traffic and field accidents, as these are often serious and may result in death. For 2020, our emphasis will be towards traffic accidents which had stubbornly remained high. These safety lapses continue to be a critical concern that our management is taking steps to address.

In the interest of improving general public's access to healthcare, we donated a tract of land to the local government of East Kotawaringin district, in Central Kalimantan area for the construction of Pratama Pundu hospital. The new hospital will allow residents, especially the critically ill or injured, to quickly access medical services without having to make the 3-hour journey to the hospital in Palangkaraya city. The local District Head expressed his confidence that the new local hospital will not only help the sick, but will also revitalise the regional economy by attracting related businesses and creating new job opportunities following its scheduled opening in 2021.

In September 2019, we dispatched a medical team to the Ketapang region and its surrounding areas to set up free medical treatment points across several locations, with the aim of providing medical assistance to people afflicted by haze resulting from forest fires in the region. Our medical team saw a total of 467 patients, and also distributed masks and nutritional packs. This activity was also undertaken in haze-impacted regions around Central Kalimantan.

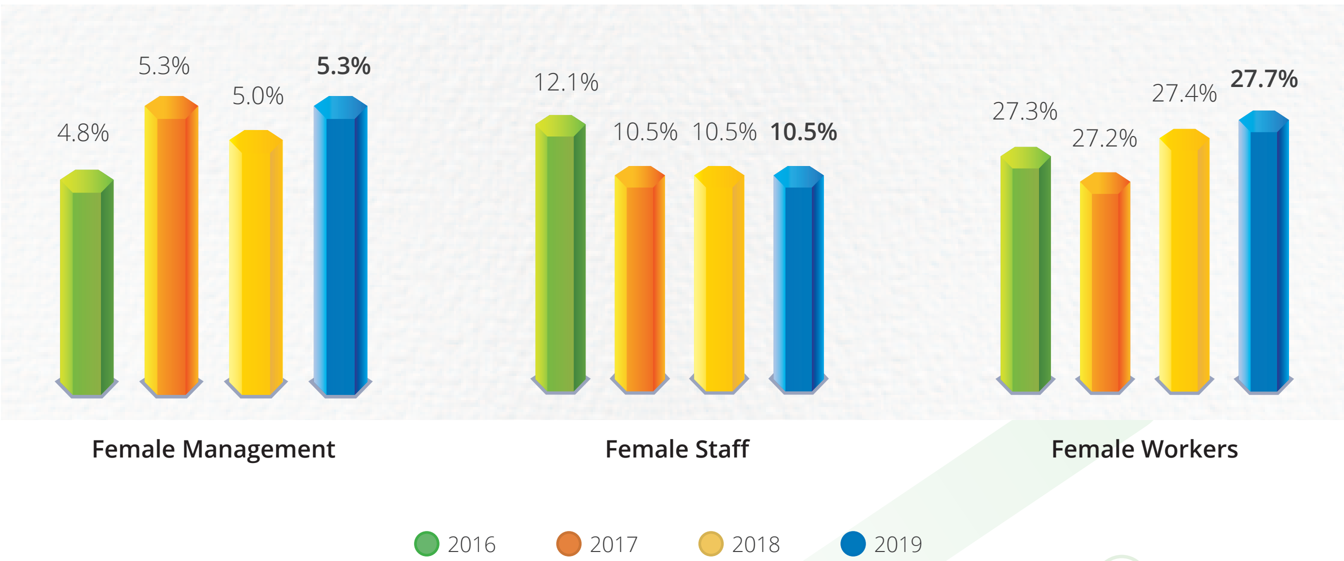
Bumitama also continued with its other health promotion schemes across 2019, including our plantation clinic service, blood donation drive, dental hygiene workshops for children and birth control education and circumcisions at various centres. In support of providing more parent-friendly workplaces for our staff, we also introduced 8 more breastfeeding facilities in 2019, with a total of 19 across our Group.

Non-discrimination

To promote gender equality at our workplace, we systematically encourage recruitment of women. Since June 2017, we have had a female on the Board of Directors and despite the generally lower interest of women in this line of work, we invite graduates from the agronomy and engineering disciplines to become a part of our staff.

As part of our goal to provide a more family-friendly workplace, we are now training units of married couples to join the harvesting teams, and also cater to young parents by providing a total of 19 breastfeeding facilities across our Group. In 2019, we set up a gender committee in the head office to ensure fair and equitable treatment of both women and men in our work environment.

Gender Distribution

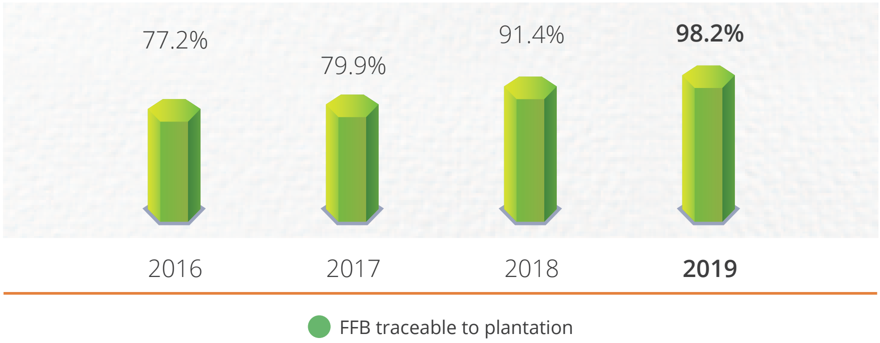


Traceable Supply Chain

Close to 50% of the oil palm estates belongs to smallholders, and in our Group, around a third of our processed fruits originates from external sources owned by the local community that are processed through 9 of our mills. Purchasing fruits from third parties presents its own challenge when fulfilling market expectations on palm oil as a responsibly and sustainably-produced commodity.

Through our traceability programme, we are now able to trace the plantation origin of 98.2% of all fresh fruits bunches for our palm oil mills. Overlaying the Fresh Fruit Bunch ("**FFB**") source area with our risk map allows us to approach specific smallholders on matters of land legality, productivity, deforestation, fires and community grievances. We will continue to look into the speed and accuracies of tracing smallholders planting through modern technologies.

FFB Traceability



Enhancing productivity

In Bumitama, we realise that to secure growth from our existing operations, we need to look into ways to optimise yield and increase our extraction rate. Bumitama's agronomists collaborate progressively with our Research and Development, Engineering and Quality Control departments to explore potential areas for improvement.

Despite the year-on-year drop in FFB yield caused by the extremely dry and hot weather with a lack of precipitation in 2019, the CAGR for productivity is still trending upwards. The Engineering department was able to improve our CPO and Palm Kernel ("**PK**") extraction rates by unlocking bottlenecks in production processes. With the scarcity of land, our No Deforestation, No Peat and No Exploitation ("**NDPE**") Policy and climate change our Group is looking into yield enhancement, productivity and automation initiatives. We have started on tissue culture and other innovative processes to secure continuous production for the future.

SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Smallholders

The traceability process goes in hand with our smallholder socialisation programme, which helps lead smallholders to improve productivity through trainings and eventually towards RSPO certification. Training topics include pest, weed and disease management, fire prevention and management and RSPO documentation, including assistance to obtain financial resources from the RSPO Smallholder Support Fund and other avenues. In 2019, we were able to conduct trainings for more than 350 smallholders from four different groups that supply FFB to our mills across an area of over 5,000 ha. We hope that in 2020, we will be able to turn this good progress into certification of at least 1,400 hectares of independent smallholder land, while enrolling a further 1,500 farmers into the programme.

To study the impact of good agricultural practices on smallholder FFB production over a period of four years, Bumitama has been collaborating on a smallholder productivity enhancement programme with Nebraska University and IDH - The Sustainable Trade Initiative. At this point it is still too early to share our progress, but we have received some encouraging feedback from the ground. Once proven successful, we will replicatwe the curriculum onto other areas to prove that good agricultural practices and sustainability are a good investment for the smallholders.

Certifications

Pursuant to our time-bound plan, we aim to RSPO certify all our mills and estates by 2021. In 2019, Bumitama was awarded three more certificates, bringing the total number of certified mills to seven. This translates to an annual volume of 223,986 MT of Certified Sustainable Palm Oil "**CSPO**" and Certified Sustainable Palm Kernel "**CSPK**" produced on an area of 50,714 hectares. Another three mills are in line to receive RSPO certificates in 2020. Besides RSPO certification, Bumitama also strives for national Indonesian Sustainable Palm Oil certification, wherein we have also gained four certificates.

For the year under review, 1,899 hectares of plantation land from our first group of plasma scheme smallholders affiliated with PT Agro Sejahtera Manunggal also achieved RSPO certification. This marks the first step in our roadmap to assist all our plasma smallholders to reach full RSPO certification by 2024.

Complaint Management

Regular and effective communication is essential as part of our commitment to our stakeholders. The Group has in place a structured complaint management system to address complaints from both internal and external parties and across multiple channels, including the RSPO complaint process, social media, NGO reports or the regular media.

Bumitama has been continuously engaging with the relevant parties to resolve any outstanding grievances reported through

Year	2016	2017	2018	**2019**
CSPO & CSPK volume (MT)	166,638	158,106	167,284	**223,986**
RSPO Certificate	4	5	4	**7**

Year	2016	2017	2018	**2019**
RSPO-Certified area (HA)	41,594	41,594	41,970	**50,714**

the RSPO complaint process, whistle-blowing mechanism and employee Quick Response Services and internal grievance mechanism. Concerns (eg. environmental, community-land related, social or labour concerns) received internally, from our buyers, communities and other stakeholders are processed through this internal grievance mechanism and documented with meeting minutes and statuses of resolution, until completely and satisfactorily closed. We are enhancing this process based on feedback received on the ease of use and understanding of this grievance procedure. We are on track to settle the two active complaints in the RSPO by 2020.

Whilst waiting for the benchmarking exercise on setting of a Decent Living Wage ("**DLW**") to be undertaken for the various provinces of Indonesia, the Group is already computing the wages/salary paid to a worker with input on benefits in-kind, and other considerations. The inclusion of proper accordance to Human Rights Defenders ("**HRDs**") arising from the recent introduction of this procedure in P&C 2018 to our grievance or whistle-blowing mechanism needs to be properly understood prior to implementation. We will look at the RSPO implementation as a reference.

RSPO Case Tracker

Year	2016	2017	2018	2019
Total Number of Cases	6	6	6	**7**
Active	1	2	2	**2**
Closed	5	4	4	**5**

CORPORATE SOCIAL RESPONSIBILITY

In 2019, Bumitama contributed a total sum of IDR 23.45 billion through its Corporate Social Responsibility programmes, including various employee, smallholder and community initiatives.

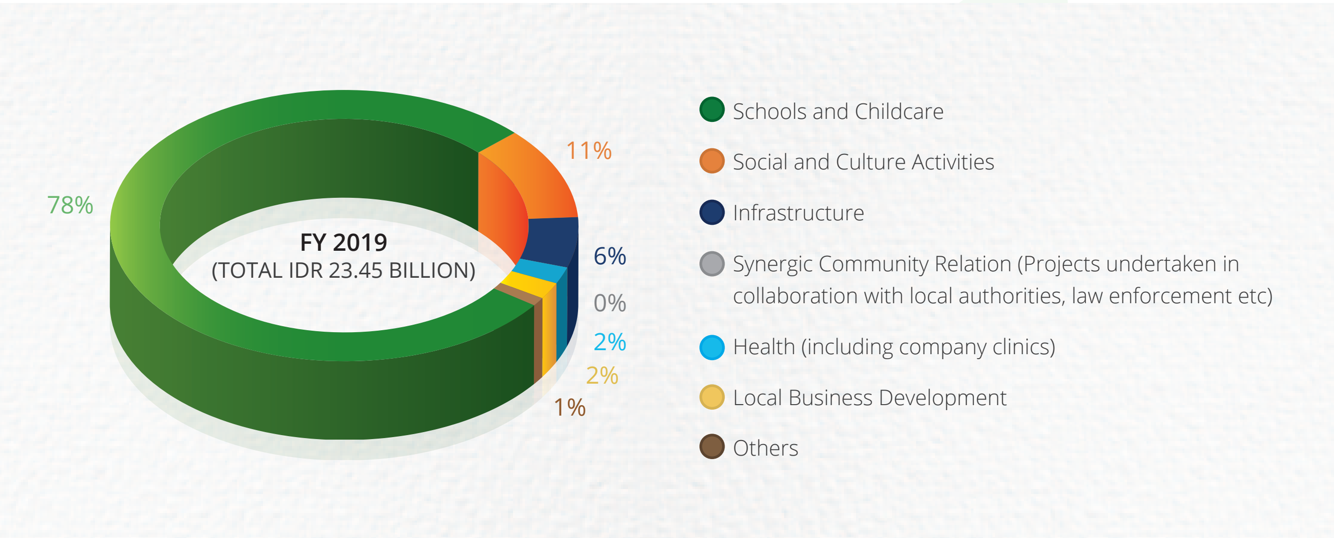
Plasma Programme

As at the end of 2019, 29.3% of our planted land or 54,924 hectares was allocated to plasma smallholders. This proportion is significantly higher than the government-mandated 20% of the Plasma Programme of the Indonesian Government that encourages development of smallholder plantations in a mutually-beneficial scheme, under cooperation with plantation companies. For 2019 the Group had issued dividends of IDR 255 billion to the plasma cooperatives.

To diversify the income of our plasma smallholders and cushion the volatility of palm oil price fluctuations, Bumitama piloted the Plasma Advantage Programme, a non-palm related small to medium size enterprise development initiative.

The pilot partnership focusing on silver catfish aquaculture was established with the Mitra Bahaum cooperative in Central Kalimantan. Bumitama's Geographic Information System and Engineering departments

CSR Expenditure 2019



SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

lent their expertise to the project by advising on the design, suitability of site locations; and construction and construction of the fish ponds and its circulation systems. Our aim is to help the plasma cooperative achieve its target output of 5 tons of silver catfish per month. The aquaculture enterprise is complementary to our oil palm operations, as palm oil production waste will also be utilised in the fermented fish feed. We are optimistic that the catfish enterprise will serve as a showcase model for other smallholders and reap a multiplier effect to create positive impact for even more members of our community.

Local Economic Empowerment Programmes

In July 2019, Bumitama invited local smallholders to a 10-day integrated farming workshop in Mojokerto, East Java. The participants were taught on business know-how, smallholders' entrepreneurial skills and environmentally-sustainable methodologies of animal husbandry, fishery operations, soil management, natural fertiliser production from household plant-based waste, animal feed production and chicken incubation from eggs.

One of the locals from Kinjil village in Central Kalimantan who attended the workshop had since converted the knowledge into practice and with some support from Bumitama he was able to develop his own integrated farming business. He has gone on to pass the goodwill forward by acting as an agribusiness mentor to his fellow villagers, who have successfully managed to replicate his success and to vocational agriculture students who have taken up apprenticeships at his farm.

Another successful collaboration with local communities is ongoing at our West Kalimantan blacksmithing project where Bumitama helps local blacksmith groups in elevating their ironmongery proficiencies from traditional blowpipes and *keris* (ceremonial daggers) to *dodos* (chisel-like pole-mounted tools) used in the oil palm fruit harvesting, with additional assistance in form of progressive orders for these *dodos*.

VLLP Programmes

As part of the BBCP, Bumitama has initiated the Village Level Land-use Plan ("**VLLP**") across 8 villages in West Kalimantan, where village land use mapping was conducted in a participatory process with the community. It analyses the current usage of land in the village and proposes a shift away from protected areas to a more effective and sustainable land use. This mapping is also aiming at the identification of new potential community livelihoods and the improvement of existing ones, so as to raise socioeconomic standards and curb land development pressure in forested areas.

Through consultations with one of the selected villages, Ulak Medang, we learnt of the community's desire to develop an eco-tourism hub at Lake Penyengat. We contributed by providing access and clearing overgrown water vegetation from the lake in collaboration with Yayasan Internaional Animal Rescue International (**"YIARI"**) to develop an ecotourism livelihood programme. We are eager for the village to receive its first group of tourists in 2020, who will be able to enjoy a camping ground by the lake with fishing activities and *warungs* (small local stores) serving local offerings.

Bumitama also supports non-timber forest product ("**NTFP**") activities, such as the natural forest honey from Ulak Medang or robusta coffee from the village of Simpang Tiga Sembelangaan. Through provision of trainings and attractive packaging, the local farmers were able to successfully sell and showcase their NTFP products at the regional Expo 2019 in Ketapang.

Meanwhile, an integrated farming programme has been implemented with the partnering plasma cooperatives in the villages of Nanga Tayap and Kayong Sekayok. Through this programme, over 260 families are engaged in the cultivation of fish, chicken, cattle, vegetable and fruits, adopting organic waste as natural fertiliser and animal feed derived from Bumitama's empty fruit branches.

Over at the Piansak and Sungai Melayu villages, local *padi* farmers have successfully adopted innovative methods of *padi* farming following training sessions conducted in conjunction with the Agricultural Training Center and Stiper Institute for Farming. Through utilisation of superior dry rice varieties such as *Gogo*, the local farmers have reaped in high-grade rice harvests in sufficient abundance for distribution to export markets.

With the help of Bumitama and its partners from Aidenvironment, two of the villages under our concessions in West Kalimantan have in 2019 successfully obtained Social forestry licenses from the Indonesian Ministry of Forestry and Environment. The Social forestry programme is part and parcel of the Agrarian reform of the Indonesian government that targets allocation of 12.7 million hectares of land belonging to the State for the community in various provinces in Indonesia. The core purpose of this programme is to alleviate poverty in the rural areas, through assigning rights to forestland to those who live inside and around the forests. This offers potential opportunities for the communities to improve their livelihoods whilst promoting conservation of biodiversity and natural resources.

Bumitama joins these two villages in their effort by helping to rehabilitate damaged forest areas, developing inclusive community enterprises based on sustainably-sourced forest products, agricultural commodities or services, and providing the initial funding, training and market access. To ensure responsible and sustainable management and long-lasting success of the programme, capacity building events including trainings, workshops and excursions will be conducted. We hope that through the partnership, the communities will see this as a viable programme to alleviate their livelihoods and will accept the sustainable way of living for their own.

Education

We strongly believe in the importance of ensuring access to quality education for all children, and therefore in areas where accessibility is difficult, we provide the infrastructure to address these gaps. To meet the educational needs of children in these areas, the Bumitama Foundation was established to provide a comprehensive educational programme ranging from early childhood to vocational high school. In 2019, the Bumitama Foundation funded and managed 5,167 students and 315 teachers in 38 of our internal schools, from early education facilities, pre-school, elementary school, junior high school to senior-high level vocation high school.

Bumitama Education Programme

Year	2016	2017	2018	2019
Total Schools	36	36	37	**38**
Total Students	4,486	4,746	4,984	**5,167**
Total Teachers	298	275	298	**315**

Our only vocational high school, SMK Gunajaya in Central Kalimantan graduated 293 students (50% male, 50% female) from 2013 to 2019; including both children of our employees as well as children from the local communities. A total of 42 of these children (53% male, 47% female) then went on to continue studying at universities, while 184 were absorbed into our and our peers' employees pools (59% male, 41% female) and 67 started their own businesses or helped with a family business. We are tracking the gender of these students so that counseling could be provided to encourage both gender groups to aspire to greater heights. However, more needs to be conducted for the female group, because of the high tendency of young females to embark on marriage or refrain from a career or entrepreneurial path.

SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Our schools teach a selection of curriculums to prepare the students for future professional life. As sustainability ranks highly in importance, the Foundation and its affiliated schools participate in "Adiwiyata Green School" as well as organise field trips with stakeholders on learning and planting of trees.

For example, our concession PT ASMR hosted students from Satap Teluk Pulai School to a workshop at its conservation nursery in August 2019. This workshop was held to mark International Mangrove Day and saw students from the coastal school potting about 500 mangrove

Vocation School Graduates								
School year	Course of study			Employee affiliation		Post-graduation status		
	Accountancy	Agronomy	Sum of both courses	Children of employees	Children of non-employees	University	Employees	Other*
2013 / 2014	21	21	42	10	32	4	37	1
2014 / 2015	25	17	42	9	33	8	25	9
2015 / 2016	23	23	46	13	33	6	33	7
2016 / 2017	32	27	59	32	27	6	37	16
2017 / 2018	33	26	59	27	32	12	34	13
2018 / 2019	20	25	45	13	32	6	18	21
Total	**154**	**139**	**293**	**104**	**189**	**42**	**184**	**67**

* Includes family farms, freelance entrepreneurs and self-employed

seedlings, while learning about its role in the ecosystem and preventing the threat of coastal erosion.

Our school of Metro Manggao was recognised by the Ministries of Environment and Education as an "Adiwiyata Green School" at the national level, a programme based on the United Nations Programme of Education for Sustainable Development. This certification recognises schools with a strong integration of environmental education in their syllabus and operations, providing these schools with financial support for a range of environmental programmes. In addition to Metro Manggao, Bumitama is honoured that in 2019, additionally 9 of our schools have also received this certification award at the district and provincial levels.

In addition to the successful sustainability educational programme, we are proud to announce that one of our elementary schools was awarded as the best in Islamic Education (Regional Level) while one of our junior high schools scored third place at the Provincial level. Our early childhood facility in Rokan Hulu was also ranked as the 3rd best Early Childhood education facility in Riau Province in recognition of its well-rounded holistic curriculum, which includes tree planting programmes and plastic waste reduction programmes to foster environmental mindfulness in our young.

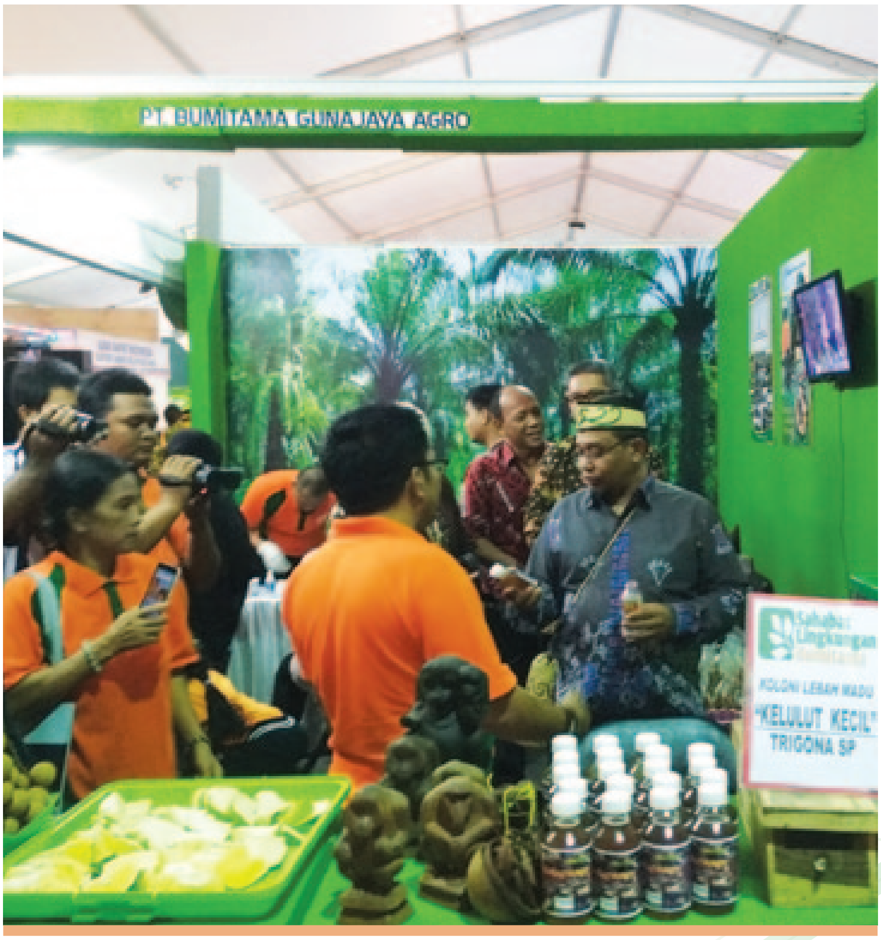
Besides managing our own schools, Bumitama also partners/collaborates through the Foundation with 27 external schools and had enrolled 845 students to these schools. Our aim in working together with these schools is to encourage social integration and to ensure that the quality of education and the care for students are looked into.

Preserving Culture and Traditions

Bumitama is committed to upholding the rituals and traditions of indigenous people and other local communities. Even as we modernise, we also recognise the value of conserving our traditional heritage for future generations. These collaborative efforts have enabled us to forge greater mutual understanding with our communities, as well as the local governing authorities.

One of our pledges is to help maintain local traditional cultural sites registered through our HCV and SIA assessments. In December 2019, we registered that the local symbolic landmark — a uniquely shaped tree termed the Wooden Snake Shrine in Seriam village in West Kalimantan was neglected and could easily fall victim to illegal logging operations. A team from Bumitama was dispatched to clear out the overgrown vegetation and erect a demarcation fence around the perimeter of the site.

Fostering for indigenous ceremonials and traditions, we have financially assisted organisation of the *Dayak Gawai* festivities held in Tumbang Titi District. This major celebration of the Dayak indigenous people features elaborate dresses, feasting on customary delicacies, cultural performances, and traditional craft and sports competitions.



SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Programme	Status
Expansion with Free, Prior and Informed Consent from local communities	• Ongoing; • Look into the implementation of Integrated Conservation and Land Use Plan (ICLUP) once guidance is available.
Analysis of our practices in response to new aspects of P&C 2018	• Will progressively look into areas of DLW, HRDs and systematic incorporation of risk measurement into assessments.
40% reduction in accident rates and zero fatalities	• Not achieved, special task force appointed to address accidents' root causes; • Setting up a specific department for Safety, Health and Fire in 2020; • Focus on bringing down fatalities and accidents for traffic/roads and agronomy.
Breastfeeding facilities available to all employees	• Completed 19 units in 2019; • All certified units by 2020; • Implemented company-wide by 2023.
Bumitama schools to be teaching and promoting Adiwiyata green education	• Achieved 1 school recognised at national level and another 9 schools at provincial and district level; • 12 schools at district level and 2 external at district level by 2020; • 50% of internal schools to be at least at district level by 2023.
Independent smallholders programme	• Training for smallholders with plantation area of 5,000 hectares in preparation for certification; • 2 groups of smallholders undergoing productivity improvement in 2nd mill in Central Kalimantan with 1 certified in 2020; • 2 groups of smallholders undergoing productivity improvement in West Kalimantan with 1 group prepared for certification in 2020.
Partnerships with reputable orangutan conservation organisations	• Partnership with YIARI, OF UK, PONGO Alliance.
Measure and publish our carbon footprint	• Ongoing.
Complete construction of two methane capture facilities **Alternative GHG emissions reduction schemes**	• Construction in progress for one facility in Riau, expected completion by 2020; • Signed MOU for 2 biogas facilities in Kalimantan; completion date by 2022; • 8 composting sites operational with construction for all mills in 2019; • All mills to include composting site by 2020.
New developments with HCV and HCS Approach assessments	• Ongoing; integrated HCV-HCS assessment conducted for 5 units; • HCV-HCS Management plan review and improvement in 2020-2021; • Measurement of carbon improvement in 2021.
Complete traceability of all FFB processed	• 98.2% traceable to plantation; • To look at improving the speed and quality of traceability with innovation.

Bumitama Agri Limited (the "Company" or "Bumitama") and its subsidiaries (the "Group") recognises the importance of, and is committed to observing and attaining high standards of corporate governance, business integrity and professionalism in its business and operations. The Board constantly reviews the Company's corporate governance practices and seeks to align its practices with the development and changes in the Code of Corporate Governance 2018 (the "Code") as well as inputs from the stakeholders. The Company has complied substantially with the principles and guidelines set out in the Code, where they are applicable, relevant and practicable. In so far as any principle and/or guideline has not been complied with, the reason has been provided.

This report sets out Bumitama key corporate governance practices with reference to the Code and with the Group's cultural pillar of morality, capability and integrity and its code of ethics which is captured by the Company's code of conduct policy, business ethics and anti-corruption policy.

ACHIEVEMENT

The Company has been accorded 2 awards from the Asiamoney Corporate Governance Poll 2019 under the categories of Most Outstanding Company in Singapore – Small Cap, Most Outstanding Company in Singapore – For the Decade 2010 - 2019. The Edge Billion Dollar Club had also accorded to the Company the Most Profitable Company (Agriculture Sector) award.

(A) BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The primary function of the Board is to protect and enhance long-term value and returns to its Shareholders. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. The Board focuses on the following broad areas, namely:

- Formulate corporate strategies, financial objectives and direction for the Group;
- Ensure effective management leadership of the highest quality and integrity;
- Provide oversight in the proper conduct of the Group's businesses;
- Oversee and/or evaluate the adequacy of the internal audit, risk management, financial reporting and compliance processes; and
- Oversee and ensure high standards of corporate governance for the Group.

The Board also establishes a framework of prudent and effective internal controls which enable risks to be assessed and managed, reviews Management performance, sets the Company's values and standards, and ensures that the Company's obligations to Shareholders and other stakeholders are understood and met and that all decisions are made objectively and in the interest of the Company and its Shareholders.

To facilitate effective management and assist the Board in discharging its responsibilities, certain functions have been delegated by the Board to various Board Committees namely: Audit Committee ("AC"), Remuneration Committee ("RC"), Nominating Committee ("NC") and Conflicts Resolution Committee ("CRC"), which operate under clearly defined terms of reference.

The Committees are each chaired by an Independent Director and all members are Independent Directors. Each Board Committee is governed by clear terms of reference approved by the Board and its role is to assist the Board in the matters that the Board delegates to it. Each Board Committee has the authority to examine any issue that arises in their specific areas and report to the Board with their recommendations. The ultimate responsibility and the final decision on all matters, however, lies with the Board. Details of the scopes, responsibilities and functions of the various Board Committees are set out in this Report.

CORPORATE GOVERNANCE

The Board and Board Committees meetings are scheduled in advance to coincide with the announcements of the Group's quarterly results. Additional and ad hoc meetings and conference calls are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings. In addition to these meetings, Independent Directors meet without the presence of Management, as and when required. The Company's Constitution provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchanged views outside the formal environment of Board meetings.

The Board met four times during the financial year ended 31 December 2019 ("FY2019") whilst additional meeting was scheduled for NC. The attendance of each Director at the Board and Board Committees Meetings for FY2019 was as follows:

	Board	AC	RC	NC	CRC
Number of Meetings Held	4	4	1	2	1

Name	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended
Lim Gunawan Hariyanto	4	NA	NA	NA	NA
Lim Christina Hariyanto	4	3[1]	NA	1[1]	1[1]
Dato' Lee Yeow Chor	2	1[1]	NA	NA	NA
Tan Boon Hoo[2]	4	4	1	2	1
Lee Lap Wah George	4	4	1	2	1
Lim Hung Siang	4	4	1	2	1

NA: Not Applicable

1 Attendance by invitation of the Committee

2 Resigned as an Independent Director of the Company with effect from 31 December 2019

The Board has delegated day-to-day operations to Management, while reserving certain key matters for its approval. Matters that specifically require Board approval are the Group's financial results, annual budgets, financial statements, interested person transactions, acquisitions and disposals of assets, capital expenditure plan, corporate or financial restructurings, dividend payments, commitments to banking facilities and convening of Shareholders' meetings. Board approval is also required for other matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The Board believes that when making decisions, all Directors of the Board act objectively and in the interests of the Group.

Mr. Lawrence Lua Gek Pong was appointed as Independent Director with effect from 1 January 2020 in place of Mr. Tan Boon Hoo who resigned on 31 December 2019. The Company has a programme in place whereby newly appointed Directors would receive orientation and training, if necessary, to enable them to familiarise with the Group's senior management, business activities and the relevant regulations and governance requirements. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing especially with the Singapore Institute of Directors (SID). Mr. Lawrence Lua Gek Pong was accorded this programme after his appointment as Independent Director.

Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. For FY2019, one Independent Director and the Non-Executive Director had travelled to the Company's plantations in Central Kalimantan.

The Company encourages Directors to participate in development programmes especially technology development in palm oil industry, which are considered essential and/or will enhance their roles on the Board and its Committees. The cost of Directors' attendance at appropriate training courses, conferences and seminars conducted by professionals (including SID) will be borne by the Company.

Some of the courses/seminars/conferences attended by some of the Directors are:

- Malaysia Palm Oil Council Reach and Remind Seminar
- Price Outlook Forum
- Palm Oil Trade Show
- Integrated Reporting Workshop
- FBN Workshop: Empowering the Rising Generation to Make their Mark
- ISP International Planter Conference
- Associated Chinese Chambers of Commerce and Industry of Malaysia & Sarawak Chamber of Commerce and Industry Joint Business Seminar
- CFA Society Singapore Annual Investment Conference – Excellence in Private Equity & Deal Structuring
- CFA Society Istanbul Annual Investment Conference – EMEA Society Leadership Conference

All Directors are updated on an on-going basis via Board meetings and/or circulars on matters relating to, *inter alia*, changes to the regulations of the Singapore Exchange Trading Limited ("SGX-ST"), Companies Act, accounting standards and/or other statutory requirements and/or new releases issued by the SGX-ST, Accounting and Corporate Regulatory Authority ("ACRA"), Monetary Authority of Singapore, and the External Auditor. The Directors may also seek independent professional advice on any Group matters, as they require, at the Group's expense.

Prior to each Board and Board Committees meeting, all Directors are provided with the relevant Board papers and reports within adequate time for the Directors to review the papers and reports. These reports provide information on the Group's performance, financial position, significant issues and any other matter which may be brought before the Board. Besides these, Board members are provided with quarterly operational performance report with a short commentary so as to ensure Board members are kept updated and informed of the progress of the Group and industrial update on a regular basis. Directors are also informed of any significant developments or events relating to the Group.

All Directors have independent access to the senior management of the Group and the Company Secretary. The Directors also have unrestricted access to the Group's information, minutes of Board meetings, and management accounts to enable them to carry out their duties.

The Company Secretary attends all Board and Board Committees meetings and ensures that Board procedures are followed and that the applicable rules and regulations are complied with. The Company Secretary is responsible for assisting the Company in its compliance with the requirements of the Companies Act, the rules of SGX-ST Listing Manual and any other applicable regulations. The Company Secretary also ensures good information flow within the Board and the Board Committees, as well as between the senior management and Non-Executive Directors (including Independent Directors), and assists in the professional development of existing Directors, as and when required. The appointment and/or removal of the Company Secretaries are subject to Board approval.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises six members and half of the Board are Independent Directors as follows:

Name	Board	AC	RC	NC	CRC	Years of Service
Lim Gunawan Hariyanto	Executive Chairman	–	–	–	–	7.8
Lim Christina Hariyanto	Executive Director	–	–	–	–	2.6
Dato' Lee Yeow Chor	Non-Executive Director	–	–	–	–	7.8
Tan Boon Hoo[1]	Lead Independent Director	Chairman	Chairman	Member	Chairman	7.8
Lee Lap Wah George[2]	Lead Independent Director	Chairman	Member	Chairman	Member	2.6
Lim Hung Siang	Independent Director	Member	Chairman	Member	Member	1.6
Lawrence Lua Gek Pong [3]	Independent Director	Member	Member	Member	Chairman	0.3

1 Resigned as an Independent Director of the Company with effect from 31 December 2019

2 Appointed Mr. Lee Lap Wah George in place of Mr. Tan Boon Hoo as Lead Independent Director of the Company with effect from 1 January 2020

3 Appointed as an Independent Director of the Company with effect from 1 January 2020

The strong independent element of the Board ensures that it is able to exercise objective and independent judgement on corporate affairs and on transactions involving conflicts of interest and other complexities.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a Director is independent, bearing in mind the guidelines set forth in the Code and any other salient factors which would render a Director to be deemed not independent. Each of the Independent Directors has provided a declaration of his independence to the NC. The NC has reviewed, determined and confirmed the independence of the Independent Directors.

None of the Independent Directors has served on the Board for a period exceeding nine years from the date of their first appointments.

The Board periodically conducts a review of its size and composition of the Board which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, to ensure both aspects continue to meet the needs of the Group and to maintain the effectiveness of the Board. The Board, with the concurrence of the NC, is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations.

In recognition of the importance and value of gender diversity in the composition of the Board, Ms Lim Christina Hariyanto, was appointed as Executive Director on 1 June 2017.

As the Board consists of professionals from various disciplines, it has yet to adopt a Board diversity policy. Nonetheless, the Board acknowledges and embraces the benefits of diversity on the Board and would look into setting board diversity objective and formalising and adopting of a Board diversity policy.

The current Board comprises Directors who as a group provide core competencies such as finance, legal, business management and industry knowledge. The profile of the Directors can be found on pages 18 to 19 of this Annual Report.

Non-Executive Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also communicate regularly with Management to discuss matters such as the Group's financial performance and corporate governance initiatives. Where necessary, the Group arranges for the Independent Directors to meet the Heads of Departments and key employees without the presence of Management.

The Code provides that where the Chairman is, *inter alia*, part of the Management team or is not an Independent Director, the Independent Director should make up a majority of the Board. With 1 Non-Executive Director and 3 Independent Directors making up a majority of the Board, the Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest. Nonetheless, the NC will source for a suitable candidate to be appointed as Independent Director in order to comply with provision 2.2 of the Code.

Where necessary or appropriate and at least once a year, the Non-Executive Director and Independent Directors on the Board will meet without the presence of the Management. The Independent Director communicates regularly to discuss matters related to the Group. Where appropriate, the Lead Independent Director provides feedback to the Executive Chairman after such meetings.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The Chairman of the Board, Mr. Lim Gunawan Hariyanto, is also the CEO of the Company. Mr. Lim Gunawan Hariyanto plays an instrumental role as the CEO in (i) formulating the overall business and corporate policies and strategies of the Group; (ii) managing the overall business and operations of the Group; and (iii) overseeing the Group's overall business development. As Chairman of the Board, he bears primary responsibility for the workings of the Board, by ensuring effectiveness on all aspects of its role including setting agenda for Board meetings and ensures that the Directors receive complete and adequate information.

With the establishment of various Board Committees who have power and authority to perform key functions and put in place internal controls for effective oversight of the Group's business, the Board is of the view that these enable the Board to exercise objective decision-making in the interests of the Group. The Board believes that Mr. Lim Gunawan Hariyanto's dual role as Chairman and CEO allows for more effective planning and execution of long term business strategies as he is knowledgeable in the business of the Group and provides the Group with a strong and consistent leadership.

In view of the foregoing, the Board is of the view that it is currently unnecessary to effect a separation of the roles of the Chairman of the Board from that of the CEO to facilitate the Group's decision-making and implementation process.

Taking cognizance of the non-separation of the roles of the Chairman of the Board and the CEO, the Board has in the spirit of good corporate governance, appointed Mr. Lee Lap Wah George in place of Mr. Tan Boon Hoo as Lead Independent Director to serve as a channel for Shareholders in the event their concerns are not resolved through the normal channel of the Chairman and CEO or the Chief Financial Officer ("CFO"), or for which such contact is inappropriate. Mr. Lee Lap Wah George will also act as liaison between the Independent Directors and the Chairman of the Board; to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises three Directors, all three of whom are Non-Executive and are Independent Directors. The NC members are:

Mr. Lee Lap Wah George	(NC Chairman)
Mr. Lim Hung Siang	
Mr. Lawrence Lua Gek Pong	

The NC met on two occasions in FY2019.

The NC performed the following functions in FY2019 in accordance with its terms of reference:

1. reviewed and recommended to the Board the structure, size and composition of the Board and Board Committees;

2. determined the process for search, nomination, selection and appointment of new Board members;

3. reviewed and made recommendations to the Board on all Board appointments, including nomination of the Directors for re-election/re-appointment, taking into account the Director's contribution and performance;

4. determined annually whether a Director is independent;

5. determined whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly where the Director concerned has multiple board representations;

6. evaluated the Board's performance as a whole and the contribution by each Director to the effectiveness of the Board, and to adopt appropriate measures to assess performance;

7. reviewed succession plans, in particular, the Chairman and CEO; and

8. monitored the induction, orientation and training for any new and existing Directors.

Pursuant to Regulation 91 of the Company's Constitution, one-third of the Directors will retire from office by rotation and submit themselves for re-nomination and re-election at every Annual General Meeting. Each Director is also required to retire at least once every three years. Pursuant to Regulation 97 of the Company's Constitution, any Director so appointed shall hold office until the next Annual General Meeting. A retiring Director is eligible and may be nominated for re-election.

The NC has recommended to the Board that Ms. Lim Christina Hariyanto, Mr. Lee Lap Wah George (retiring pursuant to Regulation 91 of the Company's Constitution) and Mr. Lawrence Lua Gek Pong (retiring pursuant to Regulation 97 of the Company's Constitution), be nominated for re-election at the forthcoming Annual General Meeting ("AGM"). Ms. Lim Christina Hariyanto, Mr. Lee Lap Wah George, and Mr. Lawrence Lua Gek Pong have signified their consent to remain in office.

In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regards not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs. The Board has accepted the NC's recommendation.

Each member of the NC and the Board shall abstain from voting on any resolutions and/or participating in deliberations in respect of his/her re-election as Director. Accordingly, Ms. Lim Christina Hariyanto, Mr. Lee Lap Wah George, and Mr. Lawrence Lua Gek Pong have abstained from the deliberation and decision in respect of their own re-election.

The NC conducts an annual review of Directors' independence adopting the Code's definition of an Independent Director and guidelines as to relationship in determining the independence of a Director. The NC and the Board are of the view that Mr. Lee Lap Wah George, Mr. Lim Hung Siang, and Mr. Lawrence Lua Gek Pong are considered independent while Dato' Lee Yeow Chor is considered a Non-Executive and Non-Independent Director in view of his association with Oakridge Investments Pte Ltd., a substantial shareholder of the Company.

Save as disclosed, the Non-Executive Directors are not related and do not have any relationship with the Company, its related corporations, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The NC had adopted a process for the selection and appointment of new Directors which provides the procedures for identification of potential candidates' skills, knowledge, experience and assessment of the candidates' suitability.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties. The NC interviews the shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committee(s).

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an Independent Director; (b) the composition requirements for the Board or Board Committee(s) as the case may be; (c) the candidate's track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

The NC had deliberated on succession planning for the Chairman/CEO and would bear this factor in mind when considering the appointment of any Executive Director.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The NC is of the view that Directors who have multiple board representations have performed as well as the other Directors with lesser board representations. The Board, with the concurrence of the NC, having considered the attendance of the Directors and their contributions at meetings of the Board and Board Committees, is of the view that such multiple representations do not hinder the Directors from carrying out their duties in the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Group. The NC is also of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each vary, and thus should not be prescriptive but are not adverse to consider and review existing models available on the market for managing board representations.

As at 31 December 2019, there is no alternate Director on the Board.

PRINCIPLE 5: BOARD PERFORMANCE

The NC has adopted an annual assessment of the performance and effectiveness of the Board and Board Committees collectively. The NC believes it is more appropriate to assess the Board and its Committees as a whole, rather than assessing individual Directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board.

The assessment process had been continuously improved upon, with feedback from the Board and the review incorporates factors such as attendance, Board composition, conduct, input and contributions of the Board and its various committees; keeping updated on latest trends in the industry and global market; and quality, availability and sufficiency of information. Each Director evaluates and assesses the Board and the Board Committees, the results of which are consolidated, analysed and discussed within the NC, which included a comparison with the results of the preceding financial year. The results and areas to be strengthened are identified and reported to the Board.

The Chairman, in consultation with the NC, would act on the results of the assessment; upon the endorsement of the report.

For FY2019, the NC is generally satisfied with the Board evaluation results, which indicated areas of strengths and areas that could be improved further. No significant problems had been identified. The NC had discussed the results with the Board and the Board has agreed to work on the areas where improvement is necessary as appropriate.

(B) REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three, all three of whom are non-executive and Independent Directors. The members of the RC are:

Mr. Lim Hung Siang (RC Chairman)
Mr. Lee Lap Wah George
Mr. Lawrence Lua Gek Pong

During FY2019, the RC met on one occasion.

The RC carried out the following activities during FY2019 in accordance with its terms of reference:

1. recommended to the Board a framework of remuneration for the Directors and key management personnel of the Group;

2. ensured that these remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities;

3. reviewed and recommended Directors' fees for Non-Executive Directors, taking into account factors such as their effort, time spent, and responsibilities; and

4. reviewed the service contracts of the CEO and Executive Directors.

The Group has a formal and transparent process for developing policy on executive remuneration and fixing the remuneration packages of individual Directors and key management personnel. The RC's review covers all aspects of remuneration including but not limited to, Directors' fees, salaries, allowances, bonuses, employees share options and benefits in kind and specific remuneration package for each Director.

In developing a policy on executive remuneration, the RC seeks to link a proportion of the compensation to the Group's performance. The RC also ensures that the remuneration packages of individual Directors take into consideration the Group's performance and the performance of that individual Director. No Director is involved in deciding his own remuneration. The RC has access to external expert advice with regard to remuneration matters, if required. No external remuneration consultants were appointed for the financial year under review.

The Group does not have any employee share option scheme or any long-term scheme in place.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

The remuneration policy of the Company is to provide compensation packages at market rates, reward performance and attract, retain and motivate the key management personnel.

Only Non-Executive Directors (including Independent Directors) are paid Directors' fees. The Directors' fees are set in accordance with a framework comprising Board fees and additional fee(s) for serving on any of the Board Committees, and taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The payment of such fees is recommended for Shareholders' approval at the AGM of the Company.

The Executive Directors do not receive any Directors' fee. The remuneration packages of the Executive Directors and key management personnel are determined annually having regard to the performance of the individuals and the Group as well as taking into account industry standards.

The remuneration packages for the Executive Directors and key management personnel consist of both fixed and variable components. The variable component is determined based on the performance of the individual and the Group's performance in the relevant financial year. Annual increments and adjustments to remuneration are reviewed and approved taking into account the outcome of the annual appraisal of the employees. Management makes recommendations to the RC, having regard to key performance indicators, such as (a) revenue, (b) earnings before interest, depreciation and amortisation ("EBITDA"), (c) net profit, (d) planted area and (e) Fresh Fruits Bunches internal and Crude Palm Oil production. The list is not exhaustive. The Group will also consider the individual contribution to these objectives.

Each member of the RC shall abstain from voting on any resolutions and/or participating in discussion regarding his own remuneration package or on matters in which he is interested.

The Executive Directors' Service Agreements were for an initial period of 3 years from the date of appointment respectively and are renewable for successive periods of one year each. The Service Agreements may be terminated during such term either as provided in the Service Agreements or by either party giving to the other not less than six months' written notice. There are no onerous compensation commitments on the part of the Company or its subsidiaries in the event of an early termination of the service of the Executive Directors. The Executive Directors and key management personnel of the Group are rewarded based on their achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of misstatement of financial results or of misconduct which could result in financial loss to the Group.

The RC, with the concurrence of the Board, has recommended that an amount of S$317,500 as Directors' fees be paid to the Non-Executive Directors quarterly in arrears for FY2020. These fees will be tabled for Shareholders' approval at the forthcoming AGM.

The annual remuneration bands for the Directors and key management personnel and the proportion of variable bonus and fixed remuneration, fee and salary of the benefit for FY2019 are set out below:

Name	Total Directors' Fee	Fixed Salary	Variable Bonus and Benefit	Remuneration Band	Total
Directors					
Lim Gunawan Hariyanto[1]	–	60%	40%	S$2,250,001 - S$2,500,000	100%
Lim Christina Hariyanto[2]	–	59%	41%	S$250,001 - S$500,000	100%
Dato' Lee Yeow Chor	62,500	–	–	Below S$250,000	100%
Tan Boon Hoo[3]	94,000	–	–	Below S$250,000	100%
Lee Lap Wah George	82,000	–	–	Below S$250,000	100%
Lim Hung Siang	79,000	–	–	Below S$250,000	100%
Key Management Personnel[2]					
1 Executive	–	66%	34%	S$1,750,001 - S$2,000,000	100%
1 Executive	–	61%	39%	S$1,500,001 - S$1,750,000	100%
1 Executive	–	51%	49%	S$1,500,001 - S$1,750,000	100%

Notes:

1 Payment partly by Indonesian subsidiaries and partly by Bumitama.

2 Fully paid by Indonesian subsidiaries.

3 Resigned as an Independent Director on 31 December 2019.

The remuneration of the Directors and key management personnel are set out in incremental bands of S$250,000. The Group is of the view that disclosure in incremental bands is sufficient and adequate, and that any further disclosure could be detrimental to the Group's interest, as it may hamper the Group's efforts in retaining and nurturing its talent pool, having regard to the highly competitive human resource environment, and the confidential nature of remuneration matters.

On the same basis and also due to sensitivity of such matter, it is not in the Group's interest to disclose the aggregate remuneration of its key management personnel (who are not Directors or the CEO).

Having considered Provision 8.1 of the Code requiring the disclosure of the remuneration of at least the top 5 key management personnel (who are not directors or the CEO), the Group is only disclosing the above 3 individuals, who, besides the CEO, are considered as the Group's key management personnel and since they have supervisory roles over the other senior management of the Group.

There are two employees, who are immediate family members of a Director and/or the CEO and/or a substantial shareholder of the Company whose remuneration exceeded S$100,000, in bands no wider than S$100,000 during FY2019. The information is set out below:

Name of Executives[1]	Related to	Remuneration Band
Gunardi Hariyanto Lim	Brother of Lim Gunawan Hariyanto and Lim Christina Hariyanto	S$1,900,001 – S$2,000,000
Lim Liana Sarwono	Sister of Lim Gunawan Hariyanto and Lim Christina Hariyanto	S$300,001 – S$400,000

Note:

1 Fully paid by Indonesian subsidiaries.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises that it is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholders' investment and the Group's assets.

The Board regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. Management reviews all control policies and procedures and highlights all significant matters to the AC and the Board. The Group's financial risk factors and financial risk management objectives and policies are outlined under Note 36 of the "Notes to the Financial Statements" on pages 131 to 139. Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the AC and the Board are in a position to make more informed decisions and will benefit from a better balance between risk and reward. This will assist in protecting the Group's assets.

The AC, together with the Board has reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational, compliance and information technology risks affecting the operations.

ENTERPRISE RISK MANAGEMENT ("ERM")

Effective and prudent risk management is one of the key factors in achieving the Group's business objectives and strategic goals.

The Group has established a systematic ERM framework to identify, assess, monitor, manage and evaluate the significant business risks which the Group is exposed to. Under the ERM framework, a risk register identifying the material risks together with the internal controls to manage or mitigate those risks is maintained. A separate Management Committee and an Enterprise Risk Department were formed to oversee the ERM and ensure that the risk register is reviewed, managed and updated regularly.

The Management Committee comprises the Chief Operating Officer, CFO, Group Head of Corporate Secretarial Services and Corporate Social Responsibility (GH CSS&CSR) as well as the Head of the Internal Audit Department.

Risks are pro-actively identified and addressed. The ownership of these risks lies with the respective business and executive heads with stewardship residing with the Board. The Internal Audit Department, GH CSS&CSR, together with the ERM Secretariat review on the whole ERM system and the Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems quarterly. As the Group continues to grow and taking into account the evolving nature of its business, the Management Committee will on a regular basis, conduct an assessment on the adequacy of the framework, processes and procedures and risk identified and measured.

In 2019, the results of a review incorporating changing business dynamics were tabled and the results and recommendation had been shared with AC and the Board. It was agreed that (1) further training are needed and will be conducted in phases to ensure internalisation of the purpose and method of ERM assessment and risk management; (2) the risk map was updated based on feedback from various departments and management; and (3) preparation of the internal audit plan for 2020 incorporating information drawn from this revised risk map.

The Board has received written assurances from the CEO and CFO that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems are effective.

Based on the ERM framework established, internal controls systems maintained by the Group, work performed by the internal and external auditors, and assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems addressing financial, operational, compliance and information technology controls and risk management system of the Group are adequate and effective during FY2019.

PRINCIPLE 10: AUDIT COMMITTEE

The AC comprises three members, all of whom are non-executive and Independent Directors. The AC members are:

Mr. Lee Lap Wah George	(AC Chairman)
Mr. Lim Hung Siang	
Mr. Lawrence Lua Gek Pong	

In accordance with the principles in the Code, the Board is of the view that at least two members of the AC, collectively, have the expertise and experience in accounting and financial and finance management, and are qualified to fulfill and discharge their responsibilities.

For FY2019, the AC has performed the following in accordance with its terms of reference:

1. met with both the internal and the external auditors to review the audit plans, and discussed the results of their audit findings and evaluation of the Group's system of internal accounting controls;

2. reviewed the Group's significant financial reporting issues and judgement to ensure the integrity of the financial statements of the Group and announcements relating to the Group's financial performance;

3. reviewed the adequacy and effectiveness of the Group's internal audit controls and risk management systems;

4. reviewed with the internal auditors, the scope and results of the internal audit procedures and monitored Management's response to their findings to ensure that appropriate follow-up measures are taken;

5. reviewed the adequacy, independence and effectiveness of the external audit and the Group's internal audit function;

6. reviewed the assurance from the CEO and the CFO on the financial records and financial statements;

7. reviewed compliance with the corporate governance guidelines on processes and activities adopted by the Board;

8. reviewed Interested Person Transactions ("IPT") falling within the scope of Chapter 9 of the SGX-ST Listing Manual and the IPT Register;

9. made recommendations to the Board on the nomination of the external auditors, as well as reviewed the remuneration and terms of engagement of the external auditors;

10. met with the internal and external auditors, without the presence of Management. Both the internal and external auditors had confirmed that they had received full co-operation from Management and no restrictions were placed on the scope of the respective audits;

11. kept abreast of accounting standards and issues that could potentially impact the Group's financial reporting through quarterly updates and advice from the external auditors;

12. reviewed the non-audit services provided by the external auditors of the Group, and the fees paid to them, to assess the independence and objectivity of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid to the external auditors are found in Note 6 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The AC is satisfied that the nature and extent of non-audit services had not prejudiced the independence and objectivity of the external auditors. The external auditors had also confirmed their independence in this respect; and

13. reviewed and confirmed the Group's compliance with Rules 712, 715 and 716(1) of the Listing Rules of the SGX-ST. The AC in their deliberation on the proposed appointment of Ernst & Young LLP have considered various factors, and was satisfied that the adequacy of resources and firm's experience, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The accounts of the Company, its significant foreign-incorporated subsidiaries and its associates are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and KAP Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Indonesia).

    The rest of the Group's subsidiaries are audited by Anwar & Rekan ("A&R"), an auditing firm which is part of DFK International, a worldwide association of independent accounting firms and business advisers. The AC is satisfied that the appointment of A&R would not compromise the standard and effectiveness of the audit of the Group. The list of the Group's subsidiaries audited are disclosed on Note 9 of the "Investments to Subsidiaries" on pages 98 to 100 of this Annual Report.

The AC with the concurrence of the Board has recommended the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

The AC has explicit authority within the scope of its responsibilities to seek any information it requires or investigates any matter within its terms of reference. In particular, the AC has full access to both the external and internal auditors. It also has full discretion to invite any Director, and/or Management to attend its meetings.

The Group has put in place a ***whistle-blowing policy***, whereby staff of the Group or any other persons such as customers, suppliers, contractors or local community may, in good faith and confidence, without fear of reprisals raise concerns about possible improprieties in financial reporting, unethical practices or other matters. Anonymous disclosures will also be accepted and anonymity honoured. Arrangements are also in place for the confidential and independent investigation of such matters and for appropriate follow up actions; always mindful of protecting the identity and interest of all whistle blowers. The whistle-blowing policy and the procedures put in place to implement such a policy, had been reviewed by the AC and made available to all employees.

During FY2019, the Group had received whistle-blowing reports which were also highlighted to the AC's attention. The whistle-blowing reports highlighted several incidents of impropriety carried out at the Group's plantations in Indonesia. These incidents were not material to the Group's financial statements and operations and remedial actions had been taken to address the issues.

INTERNAL AUDIT

A dedicated in-house internal audit team ("IA") is in place to review, at least once annually, the risks of the Group's policy, procedures and activities. The IA has unfettered access to all of the Group's records and documents and reports directly to the AC on any material non-compliance and internal control weakness.

The Head of the IA reports directly to the Chairman of the AC on audit matters and to the CFO on administrative matters. The Head of the IA also shares the IA report with Management so as to ensure that the recommended corrective and preventive actions are taken. Every quarter, the IA prepares the internal audit report and reports the key issues, highlighting concerns, if any, to the AC. Feedback from the AC is taken note of, acted on and monitored. Within this framework, the internal audit function provides reasonable assurance that the risks of the Group will be identified, analysed and managed by Management. The IA will also make recommendations to enhance the effectiveness and security of the Group's operations.

The AC ensures that the internal audit function is adequately resourced and qualified. On an annual basis, the AC reviews the adequacy and effectiveness of the internal audit function. The IA prepares and present internal audit plan which incorporated feedback from the AC reviews, categorised inputs gathered from the audits, reviewing risk map, core programmes of the Group and critical internal control areas. To ensure maximisation of human resources in this department, IA has a training programme drawn up specifically to ensure that the team is kept updated and current on matters of audit, risks and internal controls based on the recommendations of the AC. The IA department is staffed with suitably qualified and experienced professionals with operational and financial experiences.

In addition to the work performed by the internal audit team, the external auditors also performed tests of certain controls that are relevant to the preparation of the Group's financial statements. The external auditors report any significant deficiencies of such internal controls to the AC. The AC also reviews the effectiveness of measures taken by Management to address the issues noted by the external auditors. The internal controls are continually being refined by Management.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT AND MANAGING STAKEHOLDER RELATIONSHIPS

PRINCIPLE 11, PRINCIPLE 12 & PRINCIPLE 13:

SHAREHOLDERS RIGHTS AND CONDUCT OF GENERAL MEETINGS
ENGAGEMENT WITH SHAREHOLDERS
ENGAGEMENT WITH STAKEHOLDERS

The Group is committed to disseminate information to Shareholders regularly and on a timely basis. It aims to provide Shareholders with clear, balanced, useful and material information to ensure that Shareholders receive a balanced and up-to-date view of the Group's strategic development, performance and business. The Company also takes input from stakeholders by considering and balancing the needs and interests of material stakeholders.

Announcements on material information and the release of quarterly and full year results are released via SGXNet. Every quarter, the Group's senior management holds briefings and/or conference calls with analysts and the media to coincide with the release of the Group's results announcements. Analyst presentation slides will also be released on SGXNet and made available on the Company's corporate website.

For FY2019, Management takes an active role in investor relations, meeting local and foreign fund managers and analysts regularly as well as participating in roadshows and conferences both locally and overseas. For a more hands-on experience, investors, analysts, bankers and representatives from government organisations, civil societies and many other stakeholders were also invited to the Group's plantations.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcement via SGXNET as well as through the notice of the general meeting dispatched to them, together with the explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting.

The Group's main forum for dialogue with Shareholders takes place at its AGM, where members of the Board, senior management and the external auditors are in attendance. In particular, the chairpersons of the Audit, Nominating, Remuneration and Conflicts Resolution Committees will all endeavor to be present and available to address questions raised at the AGM. For FY2018, save for Dato' Lee, all the Directors were present at the AGM and EGM held on 22 April 2019 and had addressed shareholders' questions. All Directors will endeavor to be present at the Company's forthcoming AGM to address shareholders' questions relating to matters of the Board and respective Committees.

The Group's external auditors are also invited and required to attend the AGM and are available to assist the Directors in addressing any relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of their Auditors' Report.

Shareholders will be given the opportunity to air their views and ask questions regarding matters affecting the Group. The Company's Constitution allows a Shareholder to appoint one or two proxies to attend, speak and vote at the general meetings on his/her behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meeting without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and growth. If Shareholders are unable to attend the meetings, the Constitution allows a Shareholder of the Company to appoint up to two proxies to attend, speak and to vote in place of the Shareholder through proxy form sent in advance.

As the authentication of Shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate.

The minutes of general meetings, which will typically include relevant and substantial comments from Shareholders relating to the agenda of the meetings and responses from Management, will be made available to Shareholders upon written request. The Company is of the view that the minutes of general meetings should only be made available to its Shareholders who have genuine interests in the Company. Hence, publication of minutes of general meetings on the Company's corporate website is not necessary.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings. Electronic poll voting may be efficient in terms of speed but may not be cost effective. In this respect, the Company did not adopt electronic poll voting.

DIVIDEND POLICY

The Group has a dividend policy to distribute up to 40% of its distributable income. The policy on distribution of dividend depends on the results of the Group's cash flow and financial position, capital expenditure plan, debt repayment schedule, dividends received from its subsidiaries, industry conditions and prospects, and other factors deemed relevant by the Board of Directors.

For FY2019, the Group had declared and paid interim dividend of S$0.0038 per ordinary share on 17 September 2019. A final dividend of S$0.012 per ordinary share for FY2019 has been recommended by the Board and subject to the approval by Shareholders at the forthcoming AGM.

CONFLICTS RESOLUTION COMMITTEE

In light of the interest of the Group's controlling shareholders in the palm oil business outside of the Group (in particular, the controlling stake which IOI Corporation has in SNA and BAS), the Board has adopted certain procedures to address conflicts or potential conflicts of interest issues that may arise from time to time in the course of business conducted or carried on by the Group.

The CRC comprises three members, all of whom are non-executive and are Independent Directors. The members are:

Mr. Lawrence Lua Gek Pong	(CRC Chairman)
Mr. Lee Lap Wah George	
Mr. Lim Hung Siang	

The CRC performs the following functions in accordance with its terms of reference for FY2019:

1. reviewed on an annual basis the protocols established to resolve conflicts or potential conflicts of interest, so as to ascertain that the guidelines are adequate and relevant to the business and affairs of the Group;

2. received quarterly report from internal auditors in relation to potential of conflict of interest for the Company; and

3. reviewed, if any, specific conflicts or potential conflicts of interests that may arise from time to time and to ensure that such conflicts are dealt with or resolved properly.

Management maintains a record of potential conflict transactions (deliberated on as well as decided). Any member of the CRC is entitled to inspect such records.

Within 45 days from the end of each financial quarter and 60 days from the full year results announcement, Management will circulate or present information on transactions or potential transactions carried out or rejected in the immediately preceding financial quarter to the Board. However, this information will not be extended to the Directors who are in a conflict or potential conflict of interest situation.

On a quarterly basis, the CRC will receive reports from the internal auditors who provide confirmation that the protocols have been adhered to in the preceding quarter.

DEALINGS IN SECURITIES

The Group has adopted an internal compliance code on Securities Transaction ("Compliance Code") which provides guidance and internal regulation with regard to dealings in the Company's securities by the Company, its Directors and officers. These guidelines prohibit dealing in the Company's securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified in advance of the commencement of each "closed period". The Compliance Code has been disseminated and made available to all employees.

The Group confirmed that it has adhered to its Compliance Code for FY2019 pursuant to Rule 1207(19) of the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS

The Group has established internal guidelines to ensure compliance with the requirements of Chapter 9 of the Listing Manual on interested person transactions. The main objective is to ensure that interested person transactions are properly reviewed, approved, and conducted on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Shareholders.

In particular, the CFO will maintain a register of interested persons and a register of transactions carried out with interested persons. These registers are updated quarterly based on submissions by the designated persons. The AC reviews all transactions recorded in the register of interested person transactions on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures established by the Group.

The aggregate value of interested person transactions entered into by the Group in FY2019 is as follows:

Name of interested person	Nature of the Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual during the financial year under review (excluding transactions less than S$100,000)
		in IDR million	in IDR million
Mr. Gunardi Hariyanto Lim[1]	Family relationship with the controlling shareholder of the Company	2,400	–
Goldwood Investments Ltd[2]	Related company	2,052	–
IOI Corporation Berhad[3]	Controlling shareholder of the Company	–	134,699
PT Sawit Nabati Agro[4]	Associate	–	–
PT Lima Srikandi Jaya[5]	Related company	7,200	–
TOTAL		**11,652**	**134,699**

Notes:

* *For illustrative purpose the aggregate value of all interested person transactions, conducted under the Shareholders' Mandate during the financial year under review using the current period closing rate.*

1 In respect of the aggregate rent paid by the Group to Mr. Gunardi Hariyanto Lim for office space in Indonesia pursuant to the lease agreement between Mr. Gunardi Hariyanto Lim and PT Bumitama Gunajaya Agro.

2 In respect of the aggregate rent paid by the Group to Goldwood Investments Ltd. for office space in Singapore pursuant to the lease agreement between Goldwood Investments Ltd. and the Company.

3 In respect of transactions conducted pursuant to the Shareholders' Mandate for Transactions with IOI Corporation and its Associates (as described in the Prospectus).

4 In respect of transactions conducted pursuant to the Shareholders' Mandate for transaction with Sawit Nabati Agro (SNA) Group (as described in the Prospectus). On the completion of the sale of 28% interest in each of SNA and BAS, both SNA and BAS ceased to be associated companies of the Company.

5 In respect of the rental agreement of barge transactions involving PT Lima Srikandi Jaya which is one of the subsidiaries of Harita Group. Harita Group is owned by Lim family and also one of the Company's controlling shareholders.

MATERIAL CONTRACTS

Save as disclosed above in the sections on "Interested Person Transactions" and Service Agreements entered into between the Company and the Executive Directors, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, each Director or controlling shareholders, which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of FY2019.

Additional Information on Directors seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Mr. Lee Lap Wah George, Ms. Lim Christina Hariyanto and Mr. Lawrence Lua Gek Pong are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 24 April 2020 ("**AGM**") under Ordinary Resolutions 3, 4 and 5 as set out in the Notice of AGM dated 9 April 2020 (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	Lee Lap Wah George	Lim Christina Hariyanto	Lawrence Lua Gek Pong
Date of Appointment	1 June 2017	1 June 2017	1 January 2020
Date of Last Re-Appointment	23 April 2018	23 April 2018	–
Age	67	52	62
Country of principal residence	Singapore	Indonesia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board having considered among others, the recommendation of the Nominating Committee, contribution, qualifications and work experience of Mr Lee Lap Wah George, is of the view that he is suitable for re-election as an Independent Director of the Company.	The Board having considered among others, the recommendation of the Nominating Committee, contribution, qualifications and work experience of Ms Lim Christina Hariyanto, is of the view that she is suitable for re-election as an Executive Director of the Company.	Mr Lawrence Lua Gek Pong was appointed on 1 January 2020 and is subject to retirement at the AGM pursuant to Regulation 97 of the Company's constitution. The Board having considered among others, the recommendation of the NC and the qualifications and work experience of Mr Lawrence Lua Gek Pong, is of the view that he is suitable for re-election as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	No.	Yes. Ms. Lim Christina Hariyanto is in charge of investor relations department and responsible for general management, and communication. Amongst other responsibility, she is also responsible to help the Group to foster and strengthen relationship between the Group and the financial community as well as other internal and external stakeholders.	No.

Name of Director	Lee Lap Wah George	Lim Christina Hariyanto	Lawrence Lua Gek Pong
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of the Nominating Committee and Audit Committee and a member of the Remuneration Committee and Conflicts Resolution Committee	Executive Director.	Independent Director, a member of Audit Committee, Remuneration Committee and Nominating Committee and Chairman of Conflicts Resolution Committee.
Professional qualifications	Please refer to Directors' Profile on pages 18 to 19 of Annual Report.	Please refer to Directors' Profile on pages 18 to 19 of Annual Report.	Please refer to Directors' Profile on pages 18 to 19 of Annual Report.
Working experience and occupation(s) during the past 10 years	Please refer to Directors' Profile on pages 18 to 19 of Annual Report.	Please refer to Directors' Profile on pages 18 to 19 of Annual Report.	Please refer to Directors' Profile on pages 18 to 19 of Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Ms. Lim Christina Hariyanto, Mr. Lim Gunawan Hariyanto (Executive Chairman and Chief Executive Officer) and Dr. Lim Hariyanto Wijaya Sarwono (substantial shareholders) are immediate family members.	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

Name of Director	Lee Lap Wah George	Lim Christina Hariyanto	Lawrence Lua Gek Pong
Other Principal Commitments* Including Directorships# *** “Principal Commitments” has the same meaning as defined in the Code.** **# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)**			
Past (for the last 5 years)	a) PacificMas Bhd. b) United Engineers Limited c) Wearnes Automotive Pte. Ltd.	Nil	Nil
Present	a) Wearnes-Starchase Limited b) RE&S Holdings Ltd.	Nil	Nil

The general statutory disclosures (items (a) to (k) of Appendix 7.4.1) of the Directors are as follows:

There was no change in the information of Mr. Lee Lap Wah George, Ms. Lim Christina Hariyanto and Mr. Lawrence Lua Gek Pong as previously announced on 31 May 2017 and 27 December 2019.

Prior Experience as a Director of a Listed Company on the Exchange			
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
If yes, please provide details of prior experience.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
Please provide details of relevant experience and the nominating committee’s reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable	Not applicable.

ANNUAL FINANCIAL STATEMENTS

TABLE OF CONTENTS

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The Directors of the Company in office at the date of this statement are:

Lim Gunawan Hariyanto
Lim Christina Hariyanto
Dato' Lee Yeow Chor
Lee Lap Wah George
Lim Hung Siang
Lawrence Lua Gek Pong (Appointed on 1 January 2020)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Lim Gunawan Hariyanto	–	–	903,157,774	905,557,774
Dato' Lee Yeow Chor	–	–	556,672,070	556,672,070
Lim Hung Siang	50,000	50,000	–	–

4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES (continued)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Lim Gunawan Hariyanto and Dato' Lee Yeow Chor are deemed to have interests in shares of the subsidiaries of the Company to the extent that the Company has interest.

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries. The Company does not have any share option scheme.

6. AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

6. AUDIT COMMITTEE (continued)

- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance in the Annual Report of the Company.

7. AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Lim Christina Hariyanto
Director

Lee Lap Wah George
Lead Independent Director

Singapore
23 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statement of changes in equity, the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Deferred Tax Assets

The recoverability of the deferred tax assets ("DTA") is significant to our audit because of the complexity of the estimation process which involved significant management judgement given that it is dependent on management's forecast of availability of future taxable profits.

We performed the following procedures amongst others in our audit of DTA:

- assessed and tested management's assumptions to determine if it is probable that sufficient taxable income will be available in the future to utilise the DTA

- compared the consistency of management's profit forecasts with those included in the financial budgets approved by the Board of Directors

Key Audit Matters (continued)

Deferred Tax Assets (continued)

- assessed the reasonableness of management's assumptions used in the estimation of future profitability by comparing past forecasted results against actual results and by comparing the key assumptions, such as projected crude palm oil price, Fresh Fruit Bunch ("FFB") yield and cost of production, against external sources and historical trends

- assessed the adequacy of the disclosure in Note 18 to the financial statements

Goodwill impairment

SFRS(I) 1-36 requires goodwill to be assessed for impairment annually. Management has engaged an independent valuer to assist them in preparing a discounted cash flow model to estimate the recoverable value of the goodwill using the value-in-use method. The audit procedures over management's annual goodwill impairment test is significant to our audit because the recoverable value is determined by a value-in-use calculation using a discounted cash flow model which is complex, judgmental and subjective. The plantation estates are individually identified as a single cash generating unit ("CGU") for impairment testing.

The recoverable value of each CGU to which the goodwill is attributed to was determined using the discounted cash flow model. The cash flow model estimates the relevant future cash flows which are expected to be generated in the future and are discounted to the present value by using a discount rate approximating the weighted cost of capital of the industry. The estimation of future cash flows requires the use of a number of significant operational and predictive assumptions, such as fresh fruit bunch yield rate, extraction rate, projected selling price, inflation rate, exchange rate and also factors in terminal value after the implicit period of 5 years.

We performed the following procedures amongst others in our audit of Goodwill:

- reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by management

- compared the operational assumptions against historical data and trend to assess their reasonableness

- evaluated and assessed reasonableness of the key assumptions used in the impairment analysis, in particular the inflation rate, projected crude palm oil price, terminal growth rate and the discount rate used in the analysis

- reviewed adequacy of the disclosures relating to those key assumptions to which the outcome of the impairment test is most sensitive. The Group's disclosures on goodwill are in Note 14 to the financial statements, which explain that any material changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

23 March 2020

CONSOLIDATED INCOME STATEMENT

For The Financial Year ended 31 December 2019

	Note	2019 IDR million	2018 IDR million
Revenue	4	7,691,341	8,377,370
Cost of sales	5	(5,958,249)	(5,990,133)
Gross profit		1,733,092	2,387,237
Other items of income:			
Other income		23,711	15,173
Interest income	6	186,669	164,847
Other items of expenses:			
Selling expenses	6	(352,861)	(280,143)
General and administrative expenses	6	(294,554)	(262,700)
Finance cost	6	(240,140)	(199,804)
Fair value changes in biological assets		19,906	(47,657)
Foreign exchange gain/(loss)		159,714	(57,148)
Other expenses		(42,371)	(14,517)
Profit before taxation		1,193,166	1,705,288
Income tax expense	7	(352,825)	(409,950)
Profit for the year		**840,341**	**1,295,338**
Attributable to:			
Owners of the Company		686,313	1,097,080
Non-controlling interests		154,028	198,258
		840,341	**1,295,338**
Earnings per share attributable to owners of the Company			
Basic and diluted (IDR per share)	8	392	627

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year ended 31 December 2019

	Note	2019 IDR million	2018 IDR million
Profit for the year		840,341	1,295,338
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gain/(loss)		71,266	(257,001)
Fair value reserve on derivative financial assets/liabilities		8,174	11,560
Item that will not be reclassified to profit or loss:			
Re-measurement (loss)/gain on defined benefit plans	28	(6,586)	720
Other comprehensive income for the year, net of tax		72,854	(244,721)
Total comprehensive income for the year		**913,195**	**1,050,617**
Total comprehensive income attributable to:			
Owners of the Company		760,109	852,061
Non-controlling interests		153,086	198,556
		913,195	**1,050,617**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2019

		Group		Company	
	Note	2019 IDR million	2018 IDR million	2019 IDR million	2018 IDR million
ASSETS					
Non-current assets					
Investments in subsidiaries	9	–	–	2,045,754	2,131,110
Investments in associate companies	10	–	–	–	154,070
Bearer plants	11	7,537,293	7,503,534	–	–
Property, plant and equipment	12	3,525,804	3,458,793	3,155	3,468
Land use rights	13	954,098	958,837	–	–
Intangible assets	14	177,948	177,424	–	–
Plasma receivables	15	2,441,886	1,716,271	–	–
Due from subsidiaries	16	–	–	7,319,619	7,175,044
Loan to an associate company	17	–	82,693	–	82,693
Deferred tax assets	18	270,739	231,221	–	–
Derivative financial assets	29	30,442	–	30,442	–
Total non-current assets		14,938,210	14,128,773	9,398,970	9,546,385
Current assets					
Biological assets	19	268,320	248,413	–	–
Inventories	20	658,834	592,400	–	–
Deferred charges		7,312	8,538	–	60
Trade and other receivables	21	349,920	479,847	333	194
Due from related companies	22	50	50	–	–
Plasma receivables	15	118,974	219,590	–	–
Prepayments and advances		37,957	18,660	132	1,078
Dividend receivables		–	–	209,790	–
Prepaid taxes		560,838	543,480	53	80
Cash and short-term deposits	23(a)	503,753	299,053	35,293	40,637
Total current assets		2,505,958	2,410,031	245,601	42,049
Total assets		**17,444,168**	**16,538,804**	**9,644,571**	**9,588,434**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 IDR million	Group 2018 IDR million	Company 2019 IDR million	Company 2018 IDR million
LIABILITIES AND EQUITY					
Current liabilities					
Loans and borrowings	24	625,545	796,455	625,545	796,455
Trade and other payables	25	757,143	774,865	31	2,225
Accrued operating expenses	26	192,590	209,829	51,604	64,586
Islamic medium term notes	27	–	3,492,597	–	3,492,597
Dividend payable to non-controlling interests		22,015	–	–	–
Sales advances		57,289	12,927	–	–
Taxes payable		65,939	112,013	170	–
Derivative financial liabilities	29	–	1,028,512	–	1,028,512
Total current liabilities		1,720,521	6,427,198	677,350	5,384,375
Net current assets/(liabilities)		785,437	(4,017,167)	(431,749)	(5,342,326)
Non-current liabilities					
Deferred tax liabilities	18	125,011	128,273	–	–
Loans and borrowings	24	3,720,255	934,900	3,720,255	934,900
Islamic medium term notes	27	2,376,514	–	2,376,514	–
Employee benefits liability	28	70,687	48,705	–	–
Total non-current liabilities		6,292,467	1,111,878	6,096,769	934,900
Total liabilities		8,012,988	7,539,076	6,774,119	6,319,275
Net assets		**9,431,180**	**8,999,728**	**2,870,452**	**3,269,159**
Equity attributable to owners of the Company					
Share capital	30	1,807,045	1,807,045	1,807,045	1,807,045
Treasury shares	30	(147,449)	(133,713)	(147,449)	(133,713)
Other reserves	31	(201,717)	(209,891)	4,864	(3,310)
Retained earnings		6,814,530	6,569,298	223,151	481,822
Foreign currency translation reserve	32	(190,363)	(261,629)	982,841	1,117,315
		8,082,046	7,771,110	2,870,452	3,269,159
Non-controlling interests		1,349,134	1,228,618	–	–
Total equity		**9,431,180**	**8,999,728**	**2,870,452**	**3,269,159**
Total liabilities and equity		**17,444,168**	**16,538,804**	**9,644,571**	**9,588,434**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Financial Year ended 31 December 2019

Group	Share capital (Note 30) IDR million	Treasury shares (Note 30) IDR million	Retained earnings IDR million	Other reserves (Note 31) IDR million	Foreign currency translation reserves (Note 32) IDR million	Total share capital and reserves IDR million	Non-controlling interests IDR million	Total equity IDR million
	Attributable to owners of the Company							
2019								
Balance as of 1 January 2019	1,807,045	(133,713)	6,569,298	(209,891)	(261,629)	7,771,110	1,228,618	8,999,728
Profit for the year	–	–	686,313	–	–	686,313	154,028	840,341
Other comprehensive income:								
Fair value reserve on derivative financial assets	–	–	–	8,174	–	8,174	–	8,174
Foreign currency translation gain	–	–	–	–	71,266	71,266	–	71,266
Re-measurement gain on defined benefit plan (Note 28)	–	–	(5,644)	–	–	(5,644)	(942)	(6,586)
Total comprehensive income for the year, net of tax	–	–	680,669	8,174	71,266	760,109	153,086	913,195
Contributions by and distributions to owners:								
Buy-back of ordinary shares	–	(13,736)	–	–	–	(13,736)	–	(13,736)
Dividends on ordinary shares (Note 38)	–	–	(435,437)	–	–	(435,437)	–	(435,437)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(32,570)	(32,570)
Balance as at 31 December 2019	**1,807,045**	**(147,449)**	**6,814,530**	**(201,717)**	**(190,363)**	**8,082,046**	**1,349,134**	**9,431,180**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Financial Year ended 31 December 2019

Group	Attributable to owners of the Company							
	Share capital (Note 30) IDR million	Treasury shares (Note 30) IDR million	Retained earnings IDR million	Other reserves (Note 31) IDR million	Foreign currency translation reserves (Note 32) IDR million	Total share capital and reserves IDR million	Non-controlling interests IDR million	Total equity IDR million
2018								
Balance as of 1 January 2018	1,807,045	(131,028)	5,977,826	(199,808)	(4,628)	7,449,407	1,022,305	8,471,712
Profit for the year	–	–	1,097,080	–	–	1,097,080	198,258	1,295,338
Other comprehensive income:								
Fair value reserve on derivative financial liabilities	–	–	–	11,560	–	11,560	–	11,560
Foreign currency translation loss	–	–	–	–	(257,001)	(257,001)	–	(257,001)
Re-measurement gain on defined benefit plan (Note 28)	–	–	422	–	–	422	298	720
Total comprehensive income for the year, net of tax	–	–	1,097,502	11,560	(257,001)	852,061	198,556	1,050,617
Contributions by and distributions to owners:								
Contributions from non-controlling interests	–	–	–	–	–	–	61,511	61,511
Buy-back of ordinary shares	–	(2,685)	–	–	–	(2,685)	–	(2,685)
Dividends on ordinary shares (Note 38)	–	–	(506,030)	–	–	(506,030)	–	(506,030)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(75,397)	(75,397)
Total contributions by and distributions to owners	–	(2,685)	(506,030)	–	–	(508,715)	(13,886)	(522,601)
Changes in ownership interests in subsidiaries								
Increase in ownership in subsidiary without a change in control (Note 9(c))	–	–	–	(21,643)	–	(21,643)	21,643	–
Total changes in ownership interests in subsidiaries	–	–	–	(21,643)	–	(21,643)	21,643	–
Balance as at 31 December 2018	**1,807,045**	**(133,713)**	**6,569,298**	**(209,891)**	**(261,629)**	**7,771,110**	**1,228,618**	**8,999,728**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year ended 31 December 2019

	2019 IDR million	2018 IDR million
Cash flows from operating activities		
Cash receipts from customers	7,872,291	8,135,990
Cash payments to suppliers, employees and for other operating expenses	(6,278,395)	(6,161,653)
Cash receipts from operating activities	1,593,896	1,974,337
Income tax paid	(387,985)	(456,883)
Net cash flows generated from operating activities (Note 23(b))	1,205,911	1,517,454
Cash flows from investing activities		
Increase in plasma receivables	(463,224)	(379,114)
Investment in intangible assets	(3,522)	(3,483)
Investment in bearer plants	(319,749)	(338,817)
Purchase of property, plant and equipment (Note 23(c))	(346,561)	(290,340)
Investment in land use rights	(34,186)	(76,452)
Proceeds from sale of shares and loan repayment from associate company	55,576	–
Interest received	181,520	159,210
Net cash flows used in investing activities	(930,146)	(928,996)
Cash flows from financing activities		
Proceeds from loans and borrowings	4,180,938	508,771
Repayment of loans and borrowings	(1,414,980)	(291,410)
Proceeds from issuance of Islamic Medium Term Notes	2,362,606	–
Repayment of Islamic Medium Term Notes	(4,454,303)	–
Dividends paid	(442,107)	(570,118)
Buy-back of ordinary shares	(13,736)	(2,685)
Contributions from non-controlling interests	–	61,511
Interest paid	(286,920)	(217,449)
Net cash flows used in financing activities	(68,502)	(511,380)
Net increase in cash and cash equivalents	207,263	77,078
Effect of exchange rate changes on cash and cash equivalents	(2,563)	5,260
Cash and cash equivalents at beginning of the year	299,053	216,715
Cash and cash equivalents at the end of the year (Note 23(a))	**503,753**	**299,053**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year ended 31 December 2019

1. CORPORATE INFORMATION

Bumitama Agri Ltd. (the "Company") is a limited liability company, incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's immediate holding company is Wellpoint Pacific Holdings Ltd. ("Wellpoint") incorporated in British Virgin Islands. Wellpoint is ultimately held by the Hariyantos.

The registered office of the Company is located at 10 Anson Road, #11-19, International Plaza, Singapore 079903. The principal place of operations is located at Jl. Melawai Raya No. 10, Kebayoran Baru, Jakarta Selatan, Indonesia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are that of investment holding, operating oil palm plantations and palm oil mills, and the production and trading of crude palm oil and related products.

Related companies in these financial statements refer to the Hariyanto family's group of companies.

Related parties in these financial statements refer to members of IOI Corporation Berhad and its subsidiaries ("IOI Group") as IOI Group is a substantial shareholder of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Indonesian Rupiah ("IDR") and all values are rounded to the nearest million ("IDR million"), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and SFRS(I) Interpretations ("SFRS(I) INT") which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.13(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid/transferred and the equity of the acquired entity is reflected within the equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place. Comparatives are presented as if the entities had always been consolidated since the date the entities had come under common control. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's financial statements are presented in Indonesian Rupiah ("IDR") which is also the functional currency of its Indonesian entities. The functional currency of the Company is United States Dollars ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into IDR at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Revenue and other income

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the buyer, usually on delivery of goods as performance obligation is judged to have been satisfied and revenue is therefore recognised.

Payments received from the buyer are recorded as sales advances until all of the criteria for acceptance of goods are met.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Management fee

Management fee is earned from managing subsidiaries and providing plantation support services to subsidiaries.

2.8 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.9 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Associates (continued)

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.10 Bearer plants

Bearer plants comprise mature and immature oil palm plantations and nurseries.

Bearer plants are measured at accumulated cost before maturity and at cost, less any subsequent accumulated depreciation and impairment after maturity, with changes recognised in profit or loss. Bearer plants at cost mainly consist of cost relating to development of the oil palm such as land clearing, planting, fertilising, up-keeping/maintaining the plantations, and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest.

Depreciation is computed on a straight-line basis over the estimated useful lives of 25 years.

Bearer plants which are not matured are not depreciated as these are not yet available for use.

The carrying values of the bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the bearer plant is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Buildings	5-20
Renovations	2
Infrastructure	20
Machinery and equipment	5-20
Vehicles and heavy equipment	5-10
Furniture and fixtures	5

Depreciation of property, plant and equipment related to the plantations are allocated proportionately based on the area of mature and immature plantations.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. Accumulated cost is transferred to the related asset when the asset is completed and ready for use and is then depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with Note 2.15.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis according to the rights period, which are over the period of 20 to 35 years to its estimated residual value.

Hak Guna Usaha ("HGU") or Right to Cultivate and *Hak Guna Bangunan* ("HGB") or Right to Build are land rights that grant the registered holders of such rights use of the land for a period up to 35 years.

2.13 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The other intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Intangible assets (continued)

(b) Other intangible assets (continued)

Other intangible assets represent the cost of software, which is not an integral part of a related hardware that covers all direct cost related to the acquisition and preparation of the software for its intended use. The intangible asset is being amortised on a straight-line basis over the estimated useful life of five years from its initial use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years or longer. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.16 Plasma receivables

Plasma receivables represent loans to Plasma farmers under the Indonesian Government policy - Kredit Koperasi Primer untuk Anggota ("KKPA") scheme for the development of plasma plantations and its infrastructures, covering costs incurred for seedling, land clearing, cultivating, fertilising, maintenance and other indirect expenses. Under the KKPA scheme, when bearer plants are transferred to the Plasma farmers, plasma receivables will be recorded.

Plasma receivables are either immediately claimed from the financing banks, temporarily self-funded by the Group for those awaiting bank's funding, or shall be reimbursed by the Plasma farmers. Plasma receivables include advances to Plasma farmers for loan installments paid to banks. This account is presented at net amount after funding received from the banks. Bank financing are soft loans obtained by cooperatives whose agreements were signed by Plasma farmers and the respective bank for which the Group acts as guarantors for the loans repayment.

Costs incurred during development of the oil palm plantations and temporary funding given to the Plasma farmers for working capital purposes are included in plasma receivables in the balance sheet. The funds received from the designated banks on behalf of the Plasma farmers for the development and operations of the plantations are deducted from the plasma receivables on the balance sheet.

Plasma receivables are classified as financial assets carried at amortised cost under SFRS(I) 9 *Financial Instruments*. The accounting policy for financial instruments is set out in Note 2.18.

2.17 Biological assets

Biological assets comprise fresh fruit bunches ("FFB").

Biological assets are stated at fair value less estimated costs to sell. Gains or losses arising on initial recognition of FFB at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of FFB at each reporting date are included in profit or loss for the period in which they arise.

The fair value of the biological assets is measured by reference to projected harvest quantities and publicly available index price of FFB set by government.

In determining the projected harvest quantities, the Group considers the estimated yield of the bearer plants which is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Financial instruments (continued)

(a) Financial assets (continued)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Financial instruments (continued)

(b) Financial liabilities (continued)

Subsequent measurement (continued)

(ii) Financial liabilities at fair value through profit or loss (continued)

Derivatives

The Group uses derivative financial instruments such as cross currency swaps to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. The Group had applied hedge accounting on its cross currency swaps. The accounting policy for hedge accounting is set out in Note 2.32.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the statement of comprehensive income for the year. The fair value of cross currency swaps are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.19 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are not pledged as collateral and not restricted.

2.21 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials (comprising fertilisers and chemicals and other supplies): purchase costs

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

FFB are initially recognised at fair value less estimated costs to sell and subsequently at the lower of net realisable value and initial recognition value.

2.22 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the short-term lease recognition exemption to its short-term leases of office space and barge (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is recognised during the measurement period or in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Taxes (continued)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from and payable to, the taxation authority is presented as prepaid taxes and part of other payables in the balance sheet.

2.24 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.25 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

The Group also provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labor Law No.13/2003. The said additional provisions are estimated using actuarial calculations based on the report prepared by an independent firm of actuaries.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Employee benefits (continued)

(b) Defined benefit plans (continued)

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

 (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

 (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Treasury shares

The Group's own equity instruments, which are reacquired ("treasury shares") are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Segment reporting

For management purposes, the Group is organised into business units based on their products, and has two operating segments as follows:

(a) Plantations and Palm Oil Mills

Plantations and palm oil mills segment is principally involved in the cultivation and maintenance of oil palm plantations and operation of palm oil mills.

(b) Downstream Biodiesel Refinery

Processing biodiesel plant and sells biodiesel products from the refinery.

As the downstream biodiesel refinery segment information is quantitatively insignificant to the Group, operating segment information is not presented.

The Group operates in only one country, and therefore does not present geographical segment information.

2.31 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.19 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.32 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Hedge accounting (continued)

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2019 and 2018.

Cash flow hedges which meet the criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management did not make any judgements that have effect on the amounts recognised in the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.13(a). As disclosed in Note 14, the recoverable amounts of the cash generating units which goodwill have been allocated to have been determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax credits to the extent that it is probable that taxable profit will be available against which the tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits. In determining the timing and level of future taxable profits, the Group assessed the probability of expected future cash inflows based on expected taxable profit for the next 5 years.

Details of unutilised tax losses and unused tax credits are disclosed in Note 18.

(c) Fair value of biological assets ("FFB")

Biological assets are measured at fair value less estimated costs to sell. The fair value of FFB is measured by reference to projected harvest quantities and publicly available index price of FFB set by government. In determining the fair value of the FFB, the Company considers the estimated yield of the bearer plants which is dependent on the age of the oil palm tree, the location, soil type and infrastructure. The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of FFB.

Details of assumptions used and sensitivity analysis are disclosed in Note 19.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty (continued)

(d) Income tax

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2019 is IDR 65,939 million (2018: IDR 112,013 million).

4. REVENUE

	Group	
	2019	**2018**
	IDR million	**IDR million**
Disaggregation of revenue by major product:		
Crude Palm Oil ("CPO")	6,944,502	7,295,653
Palm Kernel ("PK")	746,839	1,081,717
Total revenue recognised at a point in time	**7,691,341**	**8,377,370**

For further disaggregation of revenue by business and geographical segments, refer to Note 2.30 to the financial statements.

5. COST OF SALES

	Group	
	2019	**2018**
	IDR million	**IDR million**
Cost of inventories recognised as an expense (Note 20)	2,992,393	3,363,585
Depreciation of mature bearer plants, property, plant and equipment and land use rights (Notes 11, 12 and 13)	575,909	537,991
Plantation costs	2,036,794	1,751,832
Mill and processing costs	353,153	336,725
Total cost of sales	**5,958,249**	**5,990,133**

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after (charging)/crediting the following income and expenses:

	Group	
	2019	**2018**
	IDR million	**IDR million**
Interest income		
Interest income from financial assets carried at amortised cost	186,669	164,847
Selling expenses		
Freight	(321,004)	(251,077)
Loading expense	(31,857)	(29,066)
Total selling expenses	**(352,861)**	**(280,143)**
General and administrative expenses		
Audit fees:		
- Auditor of the Company	(1,546)	(1,557)
- Affiliates of auditor of the Company	(3,794)	(3,767)
- Other auditors	(174)	(116)
Non-audit fees:		
- Other consultants	(76)	(47)
Employees' benefit expense:		
- Salaries, wages and other staff related expenses	(165,979)	(155,728)
- Defined benefit plan (Note 28)	(19,539)	(18,564)
- Defined contribution plan	(531)	(1,062)
Transportation	(5,811)	(4,786)
Training	(12,497)	(10,399)
Depreciation of property, plant and equipment (Note 12)	(10,263)	(9,003)
Amortisation of intangible assets (Note 14)	(2,998)	(2,606)
Maintenance	(4,228)	(4,257)
Rental	(3,854)	(3,517)
Professional fees	(9,000)	(4,032)
Insurance	(2,271)	(2,773)
Security	(1,408)	(1,096)
Electricity, water and telephone	(605)	(584)
Licences and taxes	(38,320)	(28,183)
Office expenses	(6,645)	(6,480)
Others	(5,015)	(4,143)
Total general and administrative expenses	**(294,554)**	**(262,700)**
Finance cost		
Interest expense and amortisation on loans and borrowings carried at amortised cost	(274,214)	(253,096)
Less: Capitalised to bearer plants (Note 11)	34,074	53,292
Total finance cost	**(240,140)**	**(199,804)**

7. INCOME TAX EXPENSE

Major components of income tax expense

	Group	
	2019	**2018**
	IDR million	**IDR million**
Current income tax:		
- Current income taxation	(316,408)	(397,457)
- Underprovision in respect of previous years	(8,090)	–
Deferred income tax:		
- Origination and reversal of temporary differences	42,780	54,787
Withholding tax on interest income and dividend from subsidiaries	(71,107)	(67,280)
Income tax expense recognised in profit or loss	**(352,825)**	**(409,950)**

Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
Profit before taxation	1,193,166	1,705,288
Tax at the domestic rates applicable to profits in the countries where the Group operates	(306,286)	(381,375)
Non-deductible expenses	(18,695)	(23,038)
Deferred tax adjustment on revaluation of mature plantation	29,915	30,423
Withholding tax on interest income and dividend from subsidiaries	(71,107)	(67,280)
Underprovision in respect of previous years	(8,090)	–
Others	21,438	31,320
Income tax expense recognised in profit or loss	**(352,825)**	**(409,950)**

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction. The corporate income tax rates applicable to the Group companies in the following countries are:

	2019	**2018**
Singapore	17%	17%
Indonesia	25%	25%

8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. No dilution of shares was noted for the Company as at 31 December 2019 and 2018.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2019	2018
Profit for the year attributable to owners of the Company (IDR million)	686,313	1,097,080
Weighted average number of ordinary shares for basic earnings per share computation (No.of shares)*	1,749,227,435	1,750,901,692
Earnings per share (IDR)		
- Basic and diluted	392	627

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 IDR million	2018 IDR million
Unquoted equity shares, at cost	2,045,754	2,131,110

Details of the subsidiaries are as follows:

Subsidiaries	Country of incorporation/ Principal place of business	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Held by the Company:				
PT Bumitama Gunajaya Agro ("BGA")[(1)]	Indonesia	Investment holding and business and management consultancy services	90.00	90.00
PT Bumitama Sawit Lestari ("BSL")[(1)]	Indonesia	Investment holding	95.00	95.00
PT Bumitama Energi Lestari ("BEL")[(1)]	Indonesia	Investment holding	99.77	99.77
PT Bumitama Oleo Sentosa ("BOS")[(3)]	Indonesia	Investment holding	95.00	95.00

9. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Country of incorporation/ Principal place of business	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Held via BGA:				
PT Karya Makmur Bahagia ("KMB")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Windu Nabatindo Lestari ("WNL")(1)	Indonesia	Oil palm plantation and mill	81.00	81.00
PT Rohul Sawit Industri ("RSI")(1)	Indonesia	Palm oil mill	81.00	81.00
PT Bumitama Gunajaya Abadi ("BG Abadi")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Windu Nabatindo Abadi ("WNA")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Masuba Citra Mandiri ("MCM")(1)	Indonesia	Oil palm plantation	85.50	85.50
PT Windu Nabatindo Sejahtera ("WNS")(3)	Indonesia	Oil palm plantation	85.50	85.50
PT Agro Manunggal Sawitindo ("AMS")(1)	Indonesia	Oil palm plantation	85.50	85.50
PT Lestari Gemilang Intisawit ("LGI")(1)	Indonesia	Oil palm plantation	81.00	81.00
PT Ladang Sawit Mas ("LSM")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Agriplus ("AGP")(2)	Indonesia	Oil palm plantation	85.50	85.50
PT Hungarindo Persada ("HPE")(3)	Indonesia	Oil palm plantation	85.50	85.50
Held via BSL:				
PT Tanah Tani Lestari ("TTL")(1)	Indonesia	Oil palm plantation	90.25	90.25
PT Nabatindo Karya Utama ("NKU")(1)	Indonesia	Oil palm plantation	76.00	76.00
PT Andalan Sukses Makmur ("ASMR")(2)	Indonesia	Oil palm plantation	90.25	90.25
PT Inti Sawit Lestari ("ISL")(1)	Indonesia	Investment holding and business and management consultancy services	90.25	90.25
PT Sukses Manunggal Sawitindo ("SMS")(2)	Indonesia	Investment holding and business and management consultancy services	90.25	90.25
PT Langgeng Makmur Sejahtera ("LMS")(1)	Indonesia	Oil palm plantation	90.25	90.25
PT Investa Karya Bakti ("IKB")(3)	Indonesia	Oil palm plantation	90.25	90.25
PT Gemilang Makmur Subur ("GMS")(2)	Indonesia	Oil palm plantation	90.25	90.25
PT Sejahtera Sawit Lestari ("SSL")(2)	Indonesia	Oil palm plantation	90.25	90.25
PT Fajar Bumi Nabati ("FBI")(3)	Indonesia	Oil palm plantation	90.25	90.25
PT Gemilang Subur Maju ("GSM")(3)	Indonesia	Oil palm plantation	90.25	90.25
PT Damai Agro Sejahtera ("DAS")(2)	Indonesia	Oil palm plantation	90.25	90.25

9. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Country of incorporation/ Principal place of business	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Held via KMB:				
PT Hatiprima Agro ("HPA")[3]	Indonesia	Oil palm plantation	85.73	85.73
Held via AMS:				
PT Gunajaya Karya Gemilang ("GKG")[1]	Indonesia	Oil palm plantation and mill	85.52	85.52
PT Gunajaya Ketapang Sentosa ("GKS")[1]	Indonesia	Oil palm plantation	85.52	85.52
PT Karya Bakti Agro Sejahtera ("KBAS")[1]	Indonesia	Oil palm plantation and mill	85.52	85.52
Held via LGI:				
PT Agro Sejahtera Manunggal ("ASM")[1]	Indonesia	Oil palm plantation and mill	82.37	82.37
PT Karya Makmur Langgeng ("KML")[1]	Indonesia	Oil palm plantation	82.37	82.37
PT Nabati Agro Subur ("NAS")[3]	Indonesia	Oil palm plantation	76.95	76.95
Held via BEL:				
PT Energi Baharu Lestari ("EBL")[1]	Indonesia	Trading in edible oils and its related products	99.63	99.63
Held via ISL:				
PT Sentosa Prima Agro ("SPA")[1]	Indonesia	Oil palm plantation and mill	85.74	85.74
PT Wahana Hijau Indah ("WHI")[1]	Indonesia	Oil palm plantation	85.74	85.74
PT Raya Sawit Manunggal ("RSM")[1]	Indonesia	Oil palm plantation	85.74	85.74
Held via SMS:				
PT Gunajaya Harapan Lestari ("GHL")[2]	Indonesia	Oil palm plantation	85.74	85.74

[1] Audited by member firm of Ernst & Young Global in Indonesia

[2] Audited by KAP Anwar & Rekan

[3] Not required to be audited by law in its country of incorporation

9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiary that has NCI that is material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			IDR million	IDR million	IDR million
31 December 2019:					
BGA	Indonesia	10%	104,061	697,043	32,570
31 December 2018:					
BGA	Indonesia	10%	104,310	633,370	27,800

(b) Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiary with material NCI are as follows:

Summarised balance sheet

	BGA	
	2019	2018
	IDR million	IDR million
Current		
Assets	1,909,420	1,594,610
Liabilities	(1,463,156)	(1,129,411)
Net current assets	446,264	465,199
Non-current		
Assets	15,418,326	14,460,901
Liabilities	(7,409,565)	(7,245,828)
Net non-current assets	8,008,761	7,215,073
Net assets	**8,455,025**	**7,680,272**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Summarised financial information about subsidiary with material NCI (continued)

Summarised statement of comprehensive income

	BGA	
	2019	**2018**
	IDR million	**IDR million**
Revenue	7,418,958	8,137,613
Profit before taxation	1,369,551	1,457,146
Income tax expense	(266,143)	(343,984)
Profit after taxation	1,103,408	1,113,162
Other comprehensive income	(2,720)	325
Total comprehensive income	**1,100,688**	**1,113,487**

Other summarised information

	BGA	
	2019	**2018**
	IDR million	**IDR million**
Net cash flows from operations	1,634,934	1,490,826
Acquisition of significant property, plant and equipment	318,919	299,467

(c) Increase in ownership interest in subsidiary without a change in control in 2018

On 6 December 2018, the Company increased its equity interest in its subsidiary, BSL, through the conversion of IDR 625,880 million of receivable from BSL into equity for 625,880 shares. On the same date, the NCI subscribed for 20,990 shares at IDR 1 million per share. As a result, the Company's equity interest in BSL increased from 90% to 95%.

The carrying value of the net assets of BSL as at 6 December 2018 was IDR 4,127 million and the carrying value of the additional interest acquired was IDR 206 million. The following summarises the effect of the change in the Group's ownership interest in BSL on the equity attributable to owners of the Company:

	IDR million
Increase in equity attributable to NCI arising from the Company's additional contribution	21,849
Decrease in equity attributable to NCI	(206)
Decrease in equity attributable to owners of the Company	**21,643**

The decrease in equity attributable to owners of the Company had been recognised as "Premium paid on acquisition of non-controlling interest" (Note 31) within equity in the previous financial year.

10. INVESTMENTS IN ASSOCIATE COMPANIES

	Group		Company	
	2019 IDR million	2018 IDR million	2019 IDR million	2018 IDR million
As at 1 January	–	–	154,070	144,144
Disposal	–	–	(149,687)	–
Translation differences	–	–	(4,383)	9,926
As at 31 December	**–**	**–**	**–**	**154,070**

Details of the associate companies are as follows:

Name	Country of incorporation/ Principal place of business	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Held through the Company:				
PT Sawit Nabati Agro ("SNA")[(1)]	Indonesia	Oil palm plantation and mill	–	28.00
PT Berkat Agro Sawitindo ("BAS")[(1)]	Indonesia	Oil palm plantation	–	28.00

(1) Audited by BDO Indonesia

In the previous financial year, the Group had not recognised losses relating to the associate companies where its share of losses exceeded the Group's interest in the associate companies. The Group's cumulative share of unrecognised losses as at 31 December 2018 was IDR 162,214 million of which IDR 111,209 million was the share of losses in financial year 2018. The Group had no obligation in respect of these losses.

In the current financial year, the Group disposed its equity interest in the associates companies in full at a sale consideration of USD 49,070, resulting in a gain on disposal that has been recognised in 'Other income' in the profit or loss.

In 2018, the Company carried out a review of the recoverable amount of the associate companies in consideration of the fact that associates are loss-making during the year and are at net liabilities position as at the balance sheet date. The recoverable amount of the associate companies was determined based on a value-in-use ("VIU") calculation where the cash flow projections were based on financial forecasts by management. Management had determined the forecasted cash flows based on planned development of the associate companies' plantations. The key assumptions used in the VIU are similar to those used in the impairment testing of goodwill in Note 14 to the financial statements due to same place of business and principal activities. No impairment was recognised in the profit or loss as a result of the above review.

10. INVESTMENTS IN ASSOCIATE COMPANIES (continued)

The summarised unaudited financial information of the associate companies not adjusted for the proportion of ownership interest held by the Group as at 31 December 2018 was as follows:

	2018 IDR million
Summarised balance sheet	
Current assets	234,584
Non-current assets	1,610,012
Total assets	1,844,596
Current liabilities	242,998
Non-current liabilities	2,753,886
Total liabilities	2,996,884
Summarised statement of comprehensive income	
Revenue	247,821
Loss after tax, representing total comprehensive income	(397,175)

11. BEARER PLANTS

Bearer plants are classified into mature plantations, immature plantations and nurseries.

	Group	
	2019 IDR million	**2018 IDR million**
Mature plantations		
Cost		
At 1 January	7,075,273	6,841,974
Reclassification from immature plantations	753,883	391,611
Reclassification to plasma receivables (Note 15)	(23,036)	(158,312)
At 31 December	**7,806,120**	**7,075,273**
Accumulated depreciation		
At 1 January	1,300,142	1,038,288
Charge for the year (Note 5)	323,843	289,022
Reclassification to plasma receivables (Note 15)	–	(27,168)
At 31 December	**1,623,985**	**1,300,142**
Net carrying amount	**6,182,135**	**5,775,131**

11. BEARER PLANTS (continued)

	Group	
	2019	2018
	IDR million	IDR million
Immature plantations		
Cost		
At 1 January	1,686,484	1,430,011
Development costs	487,766	655,482
Reclassification from land use rights (Note 13)	19,528	–
Reclassification from nurseries	18,316	23,444
	2,212,094	2,108,937
Reclassification to mature plantations	(753,883)	(391,611)
Reclassification to plasma receivables (Note 15)	(116,938)	(30,842)
At 31 December	**1,341,273**	**1,686,484**
Nurseries		
Cost		
At 1 January	41,919	59,427
Development costs	3,459	8,531
Deduction	(13,177)	(2,595)
	32,201	65,363
Reclassification to immature plantations	(18,316)	(23,444)
At 31 December	**13,885**	**41,919**
Total carrying amount	**7,537,293**	**7,503,534**

Depreciation of property, plant and equipment capitalised to immature plantations for the financial year ended 31 December 2019 amounted to IDR 6,688 million (2018: IDR 7,696 million) (Note 12).

Borrowing costs capitalised to immature plantations for the financial year ended 31 December 2019 amounted to IDR 34,074 million (2018: IDR 53,292 million) (Note 6).

The cash outflow on additions in bearer plants amounted to IDR 319,749 million (2018: IDR 338,817 million).

Total nucleus planted area for the year ended 31 December 2019 accounted for approximately 133 thousand hectares (2018: 132 thousand hectares).

12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Renovation	Infrastructure	Machinery and equipment	Vehicles and heavy equipment	Furniture and fixtures	Assets under construction	Total
	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million
Cost								
At 1 January 2018	1,476,958	2,551	736,990	1,937,287	486,384	124,424	117,171	4,881,765
Additions (Note 23(c))	12,169	–	12,157	58,129	38,804	6,079	181,396	308,734
Disposals	(1,653)	–	–	(3,585)	(50,996)	–	(11,875)	(68,109)
Reclassifications	70,967	–	40,362	49,498	6,754	1,787	(169,368)	–
At 31 December 2018 and 1 January 2019	1,558,441	2,551	789,509	2,041,329	480,946	132,290	117,324	5,122,390
Additions (Note 23(c))	5,709	–	37,302	63,971	40,312	6,589	204,596	358,479
Disposals	(7,280)	–	(7)	(1,141)	(18,770)	(223)	(3,230)	(30,651)
Reclassifications	27,747	–	50,211	127,490	11,504	1,926	(218,878)	–
At 31 December 2019	1,584,617	2,551	877,015	2,231,649	513,992	140,582	99,812	5,450,218
Accumulated depreciation and impairment								
At 1 January 2018	409,836	2,551	147,668	416,180	360,837	101,360	–	1,438,432
Charge for the year	77,171	–	36,569	108,884	44,844	11,490	–	278,958
Disposals	(1,311)	–	–	(3,318)	(49,164)	–	–	(53,793)
At 31 December 2018 and 1 January 2019	485,696	2,551	184,237	521,746	356,517	112,850	–	1,663,597
Charge for the year	78,304	–	39,698	112,483	39,059	10,006	–	279,550
Disposals	(1,881)	–	–	(1,094)	(16,594)	(188)	–	(19,757)
Impairment	–	–	–	1,024	–	–	–	1,024
At 31 December 2019	562,119	2,551	223,935	634,159	378,982	122,668	–	1,924,414
Net carrying amount								
At 31 December 2018	**1,072,745**	**–**	**605,272**	**1,519,583**	**124,429**	**19,440**	**117,324**	**3,458,793**
At 31 December 2019	**1,022,498**	**–**	**653,080**	**1,597,490**	**135,010**	**17,914**	**99,812**	**3,525,804**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of assets

An impairment loss of IDR 1,024 million (2018: IDR Nil) representing the write-down of a set of machinery and equipment to the recoverable amount was recognised in "Other expenses" line item of profit or loss in the current financial year.

Company	Renovations	Furniture and fixtures	Vehicles and heavy equipment	Total
	IDR million	IDR million	IDR million	IDR million
Cost				
At 1 January 2018	2,551	286	–	2,837
Additions	–	–	3,991	3,991
At 31 December 2018	2,551	286	3,991	6,828
Additions	–	–	2,075	2,075
Disposals	–	(26)	(1,598)	(1,624)
At 31 December 2019	2,551	260	4,468	7,279
Accumulated depreciation				
At 1 January 2018	2,551	252	–	2,803
Charge for the year	–	28	529	557
At 31 December 2018 and 1 January 2019	2,551	280	529	3,360
Charge for the year	–	4	893	897
Disposals	–	(26)	(107)	(133)
At 31 December 2019	2,551	258	1,315	4,124
Net carrying amount				
At 31 December 2018	**–**	**6**	**3,462**	**3,468**
At 31 December 2019	**–**	**2**	**3,153**	**3,155**

Depreciation

Depreciation of property, plant and equipment was charged and allocated as follows:

	Group	
	2019	2018
	IDR million	IDR million
Cost of sales (Note 5)	235,689	232,592
General and administrative expenses (Note 6)	10,263	9,003
Immature plantations (Note 11)	6,688	7,696
Plasma receivables	21,802	24,275
Other expenses	5,108	5,392
Total depreciation	**279,550**	**278,958**

13. LAND USE RIGHTS

	Group	
	2019	**2018**
	IDR million	**IDR million**
Cost		
At 1 January	997,966	929,335
Additions	34,186	76,452
Reclassification to immature plantation (Note 11)	(19,528)	–
Reclassification to plasma receivable (Note 15)	–	(7,821)
At 31 December	1,012,624	997,966
Accumulated amortisation		
At 1 January	39,129	19,732
Amortisation for the year	19,397	19,397
At 31 December	58,526	39,129
Net carrying amount	**954,098**	**958,837**
Amounts to be amortised:		
– Not later than one year	19,397	19,397
– Later than one year but not later than five years	77,588	77,588
– Later than five years	857,113	861,852
	954,098	**958,837**

Land use rights represent the cost of land use rights owned by the Group and cost associated with the legal transfer or renewal for titles of land use rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Land use rights are amortised on a straight-line basis over their terms of 20 to 35 years. The terms can be extended up to a period of 35 years from the initial recognition.

As at 31 December 2019, the land use rights have remaining tenure ranging from 11 years to 32 years (2018: 12 years to 33 years).

During the financial year, amortisation of land use rights allocated to cost of sales and other expenses amounts to IDR 19,397 million (2018: IDR 19,397 million).

14. INTANGIBLE ASSETS

Group	Goodwill	Software	Total
	IDR million	IDR million	IDR million
Cost			
At 1 January 2018	174,464	26,523	200,987
Additions	–	5,865	5,865
At 31 December 2018 and 1 January 2019	174,464	32,388	206,852
Additions	–	3,522	3,522
At 31 December 2019	174,464	35,910	210,374
Accumulated amortisation and impairment losses			
At 1 January 2018	6,563	20,259	26,822
Amortisation for the year (Note 6)	–	2,606	2,606
At 31 December 2018 and 1 January 2019	6,563	22,865	29,428
Amortisation for the year (Note 6)	–	2,998	2,998
At 31 December 2019	6,563	25,863	32,426
Net carrying amount			
At 31 December 2018	**167,901**	**9,523**	**177,424**
At 31 December 2019	**167,901**	**10,047**	**177,948**

The cash outflow on additions in intangible assets amounted to IDR 3,522 million (2018: IDR 3,483 million).

Goodwill

Impairment testing of goodwill

Goodwill arising from business combinations is allocated to the individual cash-generating units ("CGU") for the purpose of impairment testing. The CGUs relating to the goodwill as at 31 December are as follows:

	Group	
	2019	2018
	IDR million	IDR million
Carrying values:		
- KMB	22,885	22,885
- LGI	48,809	48,809
- NKU	96,207	96,207
	167,901	**167,901**

14. INTANGIBLE ASSETS (continued)

<u>Goodwill</u> (continued)

<u>Impairment testing of goodwill</u> (continued)

The recoverable amounts of the CGUs have been determined based on value-in-use ("VIU") calculations using cash flow projections from financial budgets approved by Board of Directors. The calculations were based on the following key assumptions:

	2019	2018
Discount rate	12.23%	12.39%
Inflation rate	3.0% – 3.4%	3.0% – 4.0%
Projected CPO price (IDR/Kg)	7,582 – 8,554	7,708 – 8,503

The VIU calculations applied a discounted cash flow model using cash flow projections and projected CPO price of IDR 7,582 – IDR 8,554 (2018: IDR 7,708 – IDR 8,503) per kg. The cash flows calculated is based on a professional valuer's judgement with reference to monetary policy report published by Bank Indonesia, International Monetary Fund data and World Economic Outlook database.

<u>Key assumptions used in VIU calculations</u>

The calculations of VIU are most sensitive to the following assumptions:

Discount rate – The discount rate applied to the cash flow projection is a combination of both pre-tax and post-tax derived from the weighted average cost of capital of the oil palm plantation sectors on the assumption that funds are available at the prevailing rates and will continue to be available throughout the forecast period.

Inflation rate – The inflation rate is based on the International Monetary Fund data.

Projected CPO price – The CPO price was based on the international market price retrieved from Economist Intelligence Unit, World Bank and local market price retrieved from Badan Pengawas Perdagangan Berjangka Komoditi ("Bappebti").

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2019 and 31 December 2018.

<u>Sensitivity to changes in assumptions</u>

Changes to the assumptions used by management to determine the recoverable amounts may have an impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill of each CGU, to materially exceed their recoverable amount.

<u>Software</u>

Software represents the cost of software that covers all direct cost related to the acquisition and preparation of the software for its intended use which is not part of an integral part of hardware. Amortisation of software is recognised in the "General and administrative expenses" line item in the consolidated income statement.

15. PLASMA RECEIVABLES

Plasma receivables represent costs incurred for plasma plantations development which are financed by the Group and will be repaid using the investment credit given to plasma farmers by banks or reimbursed directly by the plasma farmers. Plasma receivables also include advances to plasma farmers for payments of loan installments to the banks.

The Group develops plasma plantations under the "*Kredit Koperasi Primer untuk Anggota*" ("KKPA") scheme. Plasma plantations development is financed through investment credit from banks. Under the KKPA scheme, investment credit agreement is signed by plasma farmers through cooperative (*Koperasi Unit Desa*/KUD) acting as their representative and the Group acting as guarantors for the loan repayments.

As the guarantors for the loan repayments, the Group will deduct the plasma farmers' sales of FFB based on bank loan installments until the plasma farmers' loans to the bank are fully paid. The amount deducted will be paid by the Group as the plasma farmers' loan installments to the bank. Deficits from the difference between deductions from sales of FFB with bank loan installments must be paid by the Group as guarantors for the loan repayments and are recorded as plasma receivables until reimbursed by plasma farmers.

Plasma receivables bear interest at rates determined based on negotiation between the Group and the Cooperatives.

The net cash outflows on additions in plasma receivables amounted to IDR 463,224 million (2018: IDR 379,114 million).

As of 31 December 2019, the Company has developed plasma plantations through bank partnerships covering a total area of approximately 54,924 hectares (2018: 52,734 hectares).

Details of plasma receivables are as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
As at 1 January	1,935,861	1,518,111
Additional development cost, net of collections	371,307	210,298
Financing from banks	(125,135)	(195,383)
Advances to plasma farmers	238,853	233,028
Reclassification from bearer plants (Note 11)	139,974	161,986
Reclassification from land use rights (Note 13)	–	7,821
As at 31 December	**2,560,860**	**1,935,861**
Less: Current portion of plasma receivables	(118,974)	(219,590)
Non-current portion of plasma receivables	**2,441,886**	**1,716,271**

16. DUE FROM SUBSIDIARIES

	Company	
	2019	**2018**
	IDR million	**IDR million**
Loans to subsidiaries	**7,319,619**	**7,175,044**

As at 31 December 2019, loans to subsidiaries are non-trade, unsecured and bear interest at rates of 3.55% (2018: 3.55%) above the one month USD London Interbank Offered Rate ("LIBOR") per annum. The loans include IDR 2,708 billion (2018: IDR 2,798 billion) that are equity in nature and the settlement are neither planned nor likely to occur in the foreseeable future as they are, in substance, a part of the Company's net investments in the subsidiaries. These amounts are denominated in USD.

17. LOAN TO AN ASSOCIATE COMPANY

Loan to an associate company is non-trade, unsecured and bears interest at 5.0% above the three months USD LIBOR per annum. The amount is denominated in USD and has been settled as part of the divestment of an associate during the current financial year.

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2019 IDR million	2018 IDR million	2019 IDR million	2018 IDR million
Deferred tax assets:				
Property, plant and equipment	9,499	11,735	(2,237)	4,597
Unutilised tax losses	232,466	175,178	57,288	53,405
Bearer plants	157,550	145,621	11,929	(626)
Remeasurement on defined benefit plan (Note 28)	4,152	1,957	–	–
Gross deferred tax assets, net	**403,667**	**334,491**	**66,980**	**57,376**
Deferred tax liabilities:				
Property, plant and equipment	(26,341)	(20,297)	(6,044)	4,201
Bearer plants	(118,175)	(100,373)	(18,041)	(20,271)
Biological assets	(67,080)	(61,274)	(5,806)	12,743
Fair value adjustments on acquisition of subsidiaries	(46,343)	(49,599)	3,256	738
Gross deferred tax liabilities, net	**(257,939)**	**(231,543)**	**(26,635)**	**(2,589)**
Net deferred tax assets	145,728	102,948		
Deferred tax benefits			40,345	54,787
Presented in balance sheet				
Deferred tax assets	270,739	231,221		
Deferred tax liabilities	(125,011)	(128,273)		
Net deferred tax assets	145,728	102,948		

Unrecognised tax losses and tax credits

At the end of reporting period, the Group has unutilised tax losses and tax credits of approximately IDR 41,028 million and IDR 330 billion (2018: IDR 57,864 million and IDR 358 billion) respectively, that are available for offset against future taxable profits of the companies in which these arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses and tax credits are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

If the Group was able to recognise all unrecognised unutilised tax losses and tax credits, profit would increase by the same amount of the unutilised tax losses and tax credits as described above. Under Indonesian taxation laws, tax losses may be carried forward for a period of 5 years.

18. DEFERRED TAX (continued)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to approximately IDR 11,799,860 million (2018: IDR 10,406,910 million). The deferred tax liability is estimated to be IDR 1,179,986 million (2018: IDR 1,040,691 million).

19. BIOLOGICAL ASSETS

	Group	
	2019	**2018**
	IDR million	**IDR million**
Biological assets	268,320	248,413

As at 31 December 2019, the Group recognised fair value gain of IDR 19,906 million (2018: fair value loss of IDR 47,657 million).

Significant assumptions made in determining the fair values of the biological assets include the following:

	Group	
	2019	**2018**
Nucleus volume (tonnes)		
FFB	187,503	290,319
Nucleus planted area (hectares)		
Mature	117,590	113,238
Average FFB price (IDR/kg) as at 31 December	1,760	1,169

The following table shows the impact on the fair value measurement of assets that are sensitive to changes in market price that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	Increase/ (decrease)	**Changes in fair values**
		IDR million
2019		
Index price	+10%	33,001
	-10%	(33,001)
2018		
Index price	+10%	33,928
	–10%	(33,928)

20. INVENTORIES

	Group	
	2019 IDR million	**2018 IDR million**
Balance sheet:		
At lower of cost and net realisable value		
Finished goods:		
CPO	113,254	111,699
PK	16,146	42,710
	129,400	154,409
Consumables:		
Fertilisers and chemicals	315,770	265,905
Spare parts and other consumables	213,664	172,086
	529,434	437,991
Total inventories	**658,834**	**592,400**
Income statement:		
Inventories recognised as an expense in cost of sales (Note 5)	2,992,393	3,363,585

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 IDR million	**2018 IDR million**	**2019 IDR million**	**2018 IDR million**
Trade receivables	323,668	457,955	–	–
Other receivables	26,252	21,892	333	194
Total trade and other receivables	349,920	479,847	333	194
Due from subsidiaries	–	–	4,611,360	4,376,777
Loan to an associate company (Note 17)	–	82,693	–	82,693
Due from related companies (Note 22)	50	50	–	–
Dividend receivables	–	–	209,790	–
Plasma receivables (Note 15)	2,560,860	1,935,861	–	–
Cash and short-term deposits (Note 23(a))	503,753	299,053	35,293	40,637
Total financial assets carried at amortised cost	**3,414,583**	**2,797,504**	**4,856,776**	**4,500,301**

Trade receivables

As at 1 January 2018, The Group's trade receivables amounted to IDR 250,328 million.

Trade receivables are non-interest bearing and are generally on less than 30 days' credit terms for CPO and PK. They are recognised at their original invoice amounts which represent their fair values on initial recognition. They are not secured by any collateral or credit enhancement. All trade receivables are denominated in IDR.

21. TRADE AND OTHER RECEIVABLES (continued)

Receivables that are past due

The Group has trade receivables as at 31 December 2019 amounting to IDR 49,140 million (2018: IDR 92,458 million) that are past due. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
Trade receivables past due:		
Less than 30 days	29,546	71,332
30 to 60 days	18,754	21,007
More than 61 days	840	119
	49,140	92,458

There are no trade receivables that are impaired either individually or collectively as at the end of each reporting period.

Other receivables

Other receivables are non-trade related, non-interest bearing, unsecured, repayable upon demand and are to be settled in cash.

22. DUE FROM RELATED COMPANIES

Due from related companies are non-trade related, non-interest bearing, unsecured, repayable upon demand and are to be settled in cash. All amounts due from related companies are denominated in IDR.

23. CASH AND SHORT-TERM DEPOSITS

(a) Cash and short-term deposits

	Group		Company	
	2019	**2018**	**2019**	**2018**
	IDR million	**IDR million**	**IDR million**	**IDR million**
Cash at bank and on hand	427,070	287,120	35,293	40,637
Time deposits	76,683	11,933	–	–
Total cash and cash equivalents	503,753	299,053	35,293	40,637

Cash at bank earns interest at floating rates based on daily bank deposit rate. Time deposits are made for varying periods of not more than three months depending on the immediate cash requirements of the Group, and earn interests ranging from 2.4% to 7.5% (2018: 4% to 6.75%) per annum.

23. CASH AND SHORT-TERM DEPOSITS (continued)

(a) Cash and short-term deposits (continued)

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	IDR million	**IDR million**	**IDR million**	**IDR million**
USD	66,347	56,733	–	–
SGD	9,781	30,060	9,781	30,060

(b) Cash flow from operating activities

	Group	
	2019	**2018**
	IDR million	**IDR million**
Profit before taxation	1,193,166	1,705,288
Adjustments:		
Depreciation and amortisation	597,297	549,600
Finance cost	240,140	199,804
Interest income	(186,669)	(164,847)
Post employment benefits	19,575	18,272
Foreign exchange (gain)/loss	(125,553)	48,462
Other expenses	29,589	–
Fair value changes in biological assets	(19,906)	47,657
Operating cash flows before working capital changes	1,747,639	2,404,236
Decrease/(increase) in trade and other receivables	128,597	(191,384)
Increase in inventories	(66,434)	(148,840)
Increase in prepaid taxes	(17,361)	(158,064)
Increase in prepayment and advances	(19,340)	(8,010)
Decrease/(increase) in deferred charges	1,223	(753)
(Decrease)/increase in trade and other payables	(15,047)	244,710
Decrease in accrued operating expenses	(147,986)	(16,498)
Decrease in other taxes payable	(55,381)	(105,747)
Increase/(decrease) in sales advances	44,361	(37,567)
Cash flows from operations	1,600,271	1,982,083
Income tax paid	(387,985)	(456,883)
Employee benefits contribution paid	(6,375)	(7,746)
Net cash flows generated from operating activities	**1,205,911**	**1,517,454**

(c) Notes to the consolidated statement of cash flows

During the financial year, the total addition in property, plant and equipment was IDR 358,479 million (2018: IDR 308,734 million), of which IDR 11,918 million (2018: IDR 18,394 million) have not been paid.

24. LOANS AND BORROWINGS

		Group and Company	
	Maturity date	**2019**	**2018**
		IDR million	**IDR million**
Current:			
USD floating revolving loan facilities	February 2020, May 2020, and July 2020	625,545	796,455
Non-current:			
USD floating revolving and term loan facilities	January 2021, February 2022, and March 2024	3,720,255	934,900
Loans and borrowings		**4,345,800**	**1,731,355**

The Group and the Company have bilateral facility agreements with DBS Bank Ltd., United Overseas Bank Ltd., OCBC Bank Ltd., Sumitomo Mitsui Banking Corporation Singapore branch, Maybank Berhad Singapore branch, and Taipei Fubon Commercial Bank Co Ltd., Singapore branch with an aggregate principal amount up to USD 420 million (2018: USD 295 million).

In 2019, the Group and the Company have entered into term loan facilities with DBS Bank Ltd., OCBC Bank Ltd., Sumitomo Mitsui Banking Corporation Singapore branch and United Overseas Bank Ltd., up to an aggregate amount of USD 175 million.

As at 31 December 2019, the aggregate outstanding balances of the above facilities amounted to USD 313 million (equivalent to IDR 4,345,800 million) (31 December 2018: USD 120 million or equivalent to IDR 1,731,355 million), of which USD 268 million (equivalent to IDR 3,720,255 million) (31 December 2018: USD 65 million or equivalent to IDR 934,900 million) of these facilities was presented as a non-current liability.

These facilities bear average floating interest rate as at reporting date of 3.71% per annum (2018: 3.50% per annum).

The revolving loan facilities is renewed for a further same term with prior written notice of its intention to extend the facility before the maturity date of the facility. For the non-current portion, the loan is repayable up to 24 months after reporting date as the Company has the discretion to exercise the rights under the facility agreements to extend the facility.

24. LOANS AND BORROWINGS (continued)

A reconciliation of liabilities arising from the Group's and Company's financing activities is as follows:

	2018	Cash inflows	Cash outflows	Non-cash changes: Foreign exchange	Non-cash changes: Amortisation of issuance costs	Non-cash changes: Other	2019
	IDR million	IDRmillion	IDR million	IDR million	IDR million	IDR million	IDRmillion
Loans and borrowings:							
- current	796,455	500,740	(777,250)	36,095	–	69,505	625,545
- non-current	934,900	3,680,198	(637,730)	(188,503)	895	(69,505)	3,720,255
	1,731,355	**4,180,938**	**(1,414,980)**	**(152,408)**	**895**	**–**	**4,345,800**
Islamic Medium Term Notes (Note 27)							
- current	3,492,597	–	(4,454,303)	961,125	581	–	–
- non-current	–	2,362,606	–	13,827	81	–	2,376,514
	3,492,597	**2,362,606**	**(4,454,303)**	**974,952**	**662**	**–**	**2,376,514**

	2017	Cash inflows	Cash outflows	Non-cash changes: Foreign exchange	Non-cash changes: Amortisation of issuance costs	Non-cash changes: Other	2018
	IDR million	IDRmillion	IDR million	IDR million	IDR million	IDR million	IDRmillion
Loans and borrowings:							
- current	338,700	257,853	(187,317)	25,194	–	362,025	796,455
- non-current	1,077,638	250,918	(104,093)	72,197	265	(362,025)	934,900
	1,416,338	**508,771**	**(291,410)**	**97,391**	**265**	**–**	**1,731,355**
Islamic Medium Term Notes (Note 27)							
- current	–	–	–	–	–	3,492,597	3,492,597
- non-current	3,332,622	–	–	157,420	2,555	(3,492,597)	–
	3,332,622	**–**	**–**	**157,420**	**2,555**	**–**	**3,492,597**

The "other" column relates to reclassification of current and non-current portion of loans and borrowings due to passage of time, extension of the maturity date of the facility agreements or maturity of the Islamic Medium Term Notes.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 IDR million	2018 IDR million	2019 IDR million	2018 IDR million
Trade payables	612,032	633,084	–	–
Other payables	145,111	141,781	31	2,225
Total trade and other payables	757,143	774,865	31	2,225
Loans and borrowings (Note 24)	4,345,800	1,731,355	4,345,800	1,731,355
Dividend payables to non-controlling interests	22,015	–	–	–
Accrued operating expenses (Note 26)	192,590	209,829	51,604	64,586
Islamic medium term notes (Note 27)	2,376,514	3,492,597	2,376,514	3,492,597
Total financial liabilities carried at amortised cost	**7,694,062**	**6,208,646**	**6,773,949**	**5,290,763**

Trade and other payables

These amounts are non-interest bearing. Trade payables are normally settled within 30 to 90 days from date of invoice while other payables have an average term of 6 months. All trade payables are denominated in IDR.

26. ACCRUED OPERATING EXPENSES

	Group		Company	
	2019 IDR million	2018 IDR million	2019 IDR million	2018 IDR million
Accrued salaries and wages	128,556	132,030	784	805
Accrued interests	55,184	70,805	47,106	62,726
Professional fees	6,186	6,690	1,421	1,044
Others	2,664	304	2,293	11
Total accrued operating expenses	**192,590**	**209,829**	**51,604**	**64,586**

27. ISLAMIC MEDIUM TERM NOTES

On 10 January 2014, the Group and the Company were granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic Medium Term Note (“IMTN”) Programme (“Programme”) of up to MYR 2.0 billion under the laws of Malaysia.

The tenure of the Programme shall be up to fifteen years from the date of the first issuance. Under the Programme, the Group may issue IMTN from time to time in Malaysian Ringgit in various amounts and tenures of more than a year and up to a maximum tenure of fifteen years as determined by the Group and the Company, provided always that the maturity of the IMTN shall not exceed the tenure of the Programme.

27. ISLAMIC MEDIUM TERM NOTES (continued)

The first issuance amounting to MYR 500 million was completed on 18 March 2014 with 5-year tenure and coupon of 5.25% per annum.

The second issuance amounting to MYR 500 million was completed on 2 September 2014 with 5-year tenure and coupon of 5.00% per annum.

The Company had repaid the first and second issuance on 18 March 2019 and 2 September 2019, respectively.

The third issuance amounting to MYR 300 million was completed on 22 July 2019 with 5-year tenure and coupon of 4.10% per annum.

The fourth issuance amounting to MYR 400 million was completed on 22 July 2019 with 7-year tenure and coupon of 4.20% per annum.

The IMTNs are unsecured and not listed on any stock exchange.

The carrying amount of the IMTNs as at end of the reporting period is as follows:

			Group and Company	
	Maturity date	Distribution rate (per annum)	2019 IDR million	2018 IDR million
First issuance	18 March 2019	5.25%	–	1,746,598
Second issuance	2 September 2019	5.00%	–	1,746,598
Third issuance	22 July 2024	4.10%	1,019,012	–
Fourth issuance	22 July 2026	4.20%	1,358,682	–
			2,377,694	3,493,196
Less:				
Issuance costs			1,261	10,295
Accumulated amortisation			(81)	(9,696)
			1,180	599
Islamic medium term notes, net			**2,376,514**	**3,492,597**
Current			–	3,492,597
Non-current			2,376,514	–
			2,376,514	**3,492,597**

28. EMPLOYEE BENEFITS LIABILITY

Defined benefit plans

The Group recognised post-employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003 and the Group has set-up plan assets. The provision for post employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. As at 31 December 2019, 3,839 (2018: 4,173) employees were included in the computation.

28. EMPLOYEE BENEFITS LIABILITY (continued)

Defined benefit plans (continued)

The principal assumptions used in determining the provision for post-employment benefits are as follows:

	2019	2018
Normal Pension Age	55 years	55 years
Salary Increment Rate per annum	6.0 %	6.0 %
Discount Rate per annum	7.6 % - 8.5%	8.5 %
Mortality Rate	Indonesia – III	Indonesia – III
Resignation Level per annum	2% - 4% of 18 – 44 years	3% of 18 – 44 years

The estimated liability for post-employment benefits as at balance sheet date is as follows:

	Group	
	2019 IDR million	2018 IDR million
Present value of defined benefit obligation	124,599	104,875
Fair value of plan assets	(55,444)	(56,571)
Restriction on asset recognised	1,532	401
Net liability arising from defined benefit obligation	**70,687**	**48,705**

Remeasurement on defined benefit plans recognised in other comprehensive income are as follows:

	Group	
	2019 IDR million	2018 IDR million
Actuarial loss/(gain) arising from changes in financial assumptions	8,781	(960)
Deferred tax effect from actuarial changes (Note 18)	(2,195)	240
	6,586	**(720)**

Changes in the present value of defined benefit obligations are as follows:

	2019	2018
As at 1 January	104,875	101,427
Interest cost	8,914	7,544
Current service cost	15,433	14,045
Actuarial loss/(gain) arising from changes in assumptions	6,167	(8,028)
Past service cost	–	1,612
Benefits paid	(10,790)	(11,725)
As at 31 December	**124,599**	**104,875**

28. EMPLOYEE BENEFITS LIABILITY (continued)

Defined benefit plans (continued)

Changes in the fair value of plan assets are as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
As at 1 January	56,571	62,288
Expected return on plan assets	4,808	4,637
Contribution during the year	5,760	5,760
Benefits paid	(10,176)	(9,739)
Actuarial loss on plan assets	(1,519)	(6,375)
As at 31 December	**55,444**	**56,571**

The allocation of the plan assets by each classes as at the end of the reporting period comprise the following:

	Group	
	2019	**2018**
Interest-bearing cash/bank deposits	80%	80%
Debt instruments:		
Bank Indonesia Certificates	10%	10%
Indonesia Government Bonds	10%	10%

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The following table summarises the components of net post-employment benefits expense recognised in profit or loss as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
Current service cost	15,433	14,045
Interest cost on defined benefit obligation	8,914	7,544
Expected return on plan assets	(4,808)	(4,637)
Past service cost	–	1,612
Post-employment benefits expense	**19,539**	**18,564**

Post-employment benefits expense is recognised in the "General and administrative expenses" line item in the consolidated income statement.

28. EMPLOYEE BENEFITS LIABILITY (continued)

Defined benefit plans (continued)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Sensitivity analysis	
	Increase/ (decrease)	Changes in present value of defined benefit obligation
		IDR million
2019		
Discount rates	+1%	(12,526)
	–1%	14,719
Salary increment rate per annum	+1%	14,760
	–1%	(12,766)
2018		
Discount rates	+1%	(12,657)
	–1%	12,226
Salary increment rate per annum	+1%	12,346
	–1%	(10,682)

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The average duration of the defined benefit obligation at the end of the reporting period is 13.89 years (2018: 12.54 years).

Shown below is the maturity analysis of the undiscounted benefit payments:

	Group	
	2019 IDR million	2018 IDR million
Not later than one year	4,925	2,989
Later than one year but not later than five years	28,231	23,274
Later than five years	1,822,031	1,928,368
Total	**1,855,187**	**1,954,631**

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Cross currency swaps

The Company has entered into cross currency swap agreements with financial institutions to swap its Ringgit-denominated IMTN indebtedness (Note 27) into USD liabilities. Based on the agreements, the financial institutions will swap the principal as well as the profit distribution amounts of the Company's IMTN from Malaysian Ringgit into United States Dollar. Cash flow hedge accounting has been applied to these cross currency swap agreements as they have been assessed by management to be effective hedging instruments. For the financial year ended 31 December 2019, fair value reserve adjustment of a gain of IDR 8,174 million (2018: IDR 11,560 million) had been included in other comprehensive income in respect of these contracts.

	Group and Company			
	2019		2018	
	Contract/ Notional Amount	Assets	Contract/ Notional Amount	Liabilities
	MYR million	IDR million	MYR million	IDR million
Cross currency swaps	700	30,442	1,000	1,028,512

30. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2019		2018	
	No. of shares	IDR million	No. of shares	IDR million
Issued and fully paid ordinary shares				
As at 1 January and 31 December	1,757,531,844	1,807,045	1,757,531,844	1,807,045

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

	Group and Company			
	2019		2018	
	No. of shares	IDR million	No. of shares	IDR million
Treasury shares as at 31 December	20,034,800	147,449	18,123,000	133,713

During the financial year, the Company purchased a total of 1,911,800 (2018: 415,100) ordinary shares from the public, and held them as treasury shares. Other than these buy backs, there were no other changes in the Company's share capital. Treasury shares relate to ordinary shares of the Company that is held by the Company.

31. OTHER RESERVES

Other reserves comprise:

	Group		Company	
	2019 IDR million	2018 IDR million	2019 IDR million	2018 IDR million
Premium paid on acquisition of non-controlling interest	(206,581)	(206,581)	–	–
Fair value reserve from derivative financial liabilities	4,864	(3,310)	4,864	(3,310)
	(201,717)	**(209,891)**	**4,864**	**(3,310)**

The premium paid on acquisition of non-controlling interest represents the difference between the consideration paid/(received) and the carrying value of the additional/(reduction in) interest acquired/(disposed).

Fair value reserve from derivative financial liabilities resulted from mark-to-market foreign currency swap of IMTN.

32. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency.

33. RELATED PARTY TRANSACTIONS

(a) *Sale and purchase of goods and services and other transactions*

In addition to the related party transactions disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019 IDR million	2018 IDR million
Rental fee to related parties	11,652	7,713

The Group has entered into office premise lease agreements with Mr. Gunardi Hariyanto Lim and Goldwood Investments Ltd., for an amount of IDR 4,452 million for the year ended 31 December 2019 (2018: IDR 2,913 million).

The Group has also entered into barge lease agreement with PT Lima Srikandi Jaya, a related party, amounting to IDR 7,200 million for the year ended 31 December 2019 (2018: IDR 4,800 million).

33. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

	Group	
	2019	**2018**
	IDR million	**IDR million**
Directors' fee	3,302	3,346
Short-term employee benefits	76,492	86,429
	79,794	89,775
Comprise amounts paid/payable to:		
Directors of the Company	27,845	33,336
Other key management personnel	51,949	56,439
	79,794	89,775

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

34. CONTINGENCIES AND COMMITMENTS

(a) Contingent liabilities

In relation to agreements between PT Bank Mandiri (Persero) Tbk., PT Bank CIMB Niaga Tbk., and several cooperatives, certain subsidiaries act as guarantors of plasma credits until full settlement of the outstanding credits.

As at 31 December 2019, these credits are secured by land certificates held by the plasma farmers who participate in the plasma programme and certain subsidiaries' corporate guarantees of IDR 1,648,155 million (2018: IDR 1,761,873 million). The harvested FFB will be sold to the Group and repayment of the credit facilities are through deduction of plasma farmers' sales of FFB to the Group (Note 15).

(b) Leases – as lessee

The short-term leases recognised as an expense in the Group's profit or loss for the financial year ended 31 December 2019 amounted to IDR 11,652 million (2018: IDR 8,317 million).

34. CONTINGENCIES AND COMMITMENTS (continued)

(c) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
Capital commitment in respect of property, plant and equipment	275,108	117,477

Capital commitments comprise amounts related to committed cost for land clearing, construction of employees' houses and offices and infrastructures.

35. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	IDR million	**IDR million**	**IDR million**	**IDR million**
2019				
Asset measured at fair value				
Non-financial assets:				
Biological assets	–	–	268,320	268,320
Financial assets:				
Derivative financial assets	–	30,442	–	30,442
2018				
Asset measured at fair value				
Non-financial assets:				
Biological assets	–	–	248,413	248,413
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial liabilities	–	1,028,512	–	1,028,512

35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Assets and liabilities measured at fair value (continued)

Company	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	IDR million	IDR million	IDR million	IDR million
2019				
Assets measured at fair value				
Financial assets:				
Derivative financial assets	–	30,442	–	30,442
2018				
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial liabilities	–	1,028,512	–	1,028,512

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

<u>Derivative financial assets/liabilities</u>

Cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(d) Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value	Valuation techniques	Unobservable inputs	Value
	IDR million			
2019				
Recurring fair value measurements				
Biological assets	268,320	Income approach	Projected harvest quantities	187,503 Tonnes
			Average market price of FFB as at 31 December	1,760 IDR/kg
2018				
Recurring fair value measurements				
Biological assets	248,413	Income approach	Projected harvest quantities	290,319 Tonnes
			Average market price of FFB as at 31 December	1,169 IDR/kg

For biological assets, a significant increase/(decrease) in the market price of FFB and projected harvest quantities would result in a significantly higher/(lower) fair value measurement.

Movements in Level 3 assets measured at fair value

The movements in biological assets measured at fair value are disclosed in Note 19.

Valuation policies and procedures

To determine the fair value of biological assets, the corporate finance team obtained the projected harvest quantities and the market price of the FFB from the physical census reports and from the publicly available index price set by the local government, net of estimated cost to sell.

Significant changes in fair value measurements from period to period are evaluated by the corporate finance team for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(e) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the assets and liabilities not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using				
	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	IDR million	IDR million	IDR million	IDR million	IDR million
Group and Company					
2019					
Liabilities					
Islamic medium term notes	–	2,405,738	–	2,405,738	2,376,514
2018					
Liabilities					
Islamic medium term notes	–	3,503,640	–	3,503,640	3,492,597

Determination of fair value of Islamic medium term notes

The fair value as disclosed in the table above is estimated by reference to the latest transacted prices at the end of the reporting period.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including foreign currency risk and commodity price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks and provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and Company's exposure to interest rate risk arises primarily from time deposits and loans and borrowings, which bear interest at floating rates.

The Group's and Company's policy is to manage interest cost by switching to lower rate of loans and borrowings whenever the opportunity arises.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 2% (2018: 2%) lower/higher with all other variables held constant, the Group's profit before taxation would have been IDR 2,829 million (2018: IDR 1,242 million) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(b) Foreign currency risk

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currency of the Group's entities, Indonesian Rupiah ("IDR"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD") and Singapore Dollars ("SGD"). The Group does not consider foreign exchange risk from SGD to be significant to the Group.

As at 31 December 2019, the Group's costs denominated in foreign currencies amounted to approximately 0.01% (2018: 0.4%).

The Group is exposed to currency translation risk arising from its financial assets and liabilities including its IMTN that are denominated in currencies other than the respective functional currencies of the companies in the Group.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The Group's policy is to negotiate the terms of the forward currency contracts to match the terms of the firm commitment to maximise hedge effectiveness. As at the respective balance sheet date, the Group did not enter into any forward currency contracts to hedge its foreign currency exposures for sales and purchases.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's increase/(decrease) in profit before taxation to a reasonably possible change in the USD exchange rates against the respective functional currencies of the companies in the Group, with all other variables held constant.

	Group	
	2019	**2018**
	Profit before taxation	**Profit before taxation**
	IDR million	**IDR million**
IDR/USD		
- Strengthened by 5%	3,317	2,837
- Weakened by 5%	(3,317)	(2,837)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Foreign currency risk* (continued)

Cash flow hedges

The Group manages its foreign currency risk arising from its expected redemption of Ringgit-denominated IMTN by entering into cross currency swap to swap into USD liabilities.

The terms (notional amount and timing) of the cross currency swaps have been negotiated to match the terms of the IMTN. The hedge ratio (the ratio between the notional amount of the cross currency swaps to the amount of the IMTN being hedged) is determined to be 1:1. Accordingly, the hedges are assessed to be highly effective.

There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged item.

The effects of applying hedge accounting for expected future redemption of Ringgit-denominated IMTN on the Group's balance sheet and profit or loss are as follows:

Cash flow hedge	**2019**
Hedged item	**Islamic Medium Term Notes**
Balances in the cash flow hedge reserve	IDR 4,864 million
Hedging instrument	**Cross currency swap contracts**
Maturity dates	22 July 2024 and 22 July 2026
Carrying amount	IDR 2,376,514 million
Line item in the balance sheet that includes the hedging instrument	Derivative financial assets
Notional amount	MYR 700 million
Hedging gains for the period recognised in OCI	IDR 8,174 million
Weighted average hedged MYR/USD rate at maturity date	4.1370

(c) *Commodity price risk*

The Group's exposure to commodity price risk arises primarily from its purchases of raw materials and sales of palm based products. Prices of raw materials and palm based products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with the suppliers and customers or use commodity futures, options and swap contracts in the conduct of business to manage the price risk.

Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before taxation for the financial year ended 31 December 2019 would have been IDR 769,134 million (2018: IDR 838,118 million) higher/lower.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group conducts business by the requirement of payment in advance, cash on delivery terms or may grant customers credit terms, where appropriate.

For other financial assets (including cash and short-term deposits), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– credit rating of the counterparty;
– significant actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
– significant increases in credit risk on other financial instruments of the counterparty; and
– significant changes in the actual or expected performance of the counterparty, including changes in the payment status and changes in the operating results of the counterparty.

The Group determined that its financial assets are credit-impaired when:

– there is significant difficulty of the issuer or the counterparty;
– there is a breach of contract, such as a default or past due event;
– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; and
– there is a disappearance of an active market for that financial asset because of financial difficulty.

Regardless of the above, the Group provides ECL on its financial assets by applying the default risk rating of the counterparties based on external benchmarks. As the Group's exposure to creditors is monitored on an ongoing basis, the Group has determined that the ECL on trade and other receivables (including plasma receivables) is insignificant.

<u>Exposure to credit risk</u>

At the balance sheet date, the Group's maximum exposure to credit risk is represented by:

– The carrying amount of each class of financial assets recognised in the balance sheets; and
– The nominal amount of financial guarantees provided by the Group for repayment of plasma farmers' loans to the banks (Note 34).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual customers' outstanding balances on an ongoing basis.

As at 31 December 2019, approximately 94.6% (2018: 94.1%) of the Group's trade receivables were due from 3 major customers in 2019 (2018: 3 major customers) who are multi-industry conglomerates.

The Group's customers are concentrated in Indonesia.

Information on major customers

Revenues from 2 major customers (2018: 2 major customers) of the Group contribute approximately 84.0% (2018: 76.4%) of the Group's total revenues for the year ended 31 December 2019.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(e) Liquidity risk

Liquidity risk is the risk that the Group of the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 31 December 2019, approximately 9.3% (2018: 82.1%) of the Group's and Company's total debt, comprising loans and borrowings (Note 24) and IMTN (Note 27), will mature in less than one year based on the carrying amounts reflected in the financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The following table summarises the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	1 year or less	More than 1 year to 5 years	More than 5 years	Total
	IDR million	IDR million	IDR million	IDR million
Group				
2019				
Financial assets:				
Derivative financial assets:				
- Cross currency swaps (gross receipts)	99,697	1,398,186	1,447,488	2,945,371
- Cross currency swaps (gross payments)	(71,847)	(1,281,419)	(1,408,487)	(2,761,753)
Trade and other receivables	349,920	–	–	349,920
Due from related companies	50	–	–	50
Plasma receivables	118,974	2,441,886	–	2,560,860
Cash and short-term deposits	503,753	–	–	503,753
Total undiscounted financial assets	1,000,547	2,558,653	39,001	3,598,201
Financial liabilities:				
Loans and borrowings	751,376	3,988,154	–	4,739,530
Islamic medium term notes	99,115	1,396,120	1,447,488	2,942,723
Dividend payable to non-controlling interests	22,015	–	–	22,015
Trade and other payables	757,143	–	–	757,143
Accrued operating expenses	192,590	–	–	192,590
Total undiscounted financial liabilities	1,822,239	5,384,274	1,447,488	8,654,001
Total net undiscounted financial liabilities	**(821,692)**	**(2,825,621)**	**(1,408,487)**	**(5,055,800)**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less	More than 1 year to 5 years	More than 5 years	Total
	IDR million	IDR million	IDR million	IDR million
Group				
2018				
Financial assets:				
Loan to an associate company	6,456	47,797	60,527	114,780
Trade and other receivables	479,847	–	–	479,847
Due from related companies	50	–	–	50
Plasma receivables	219,590	1,716,271	–	1,935,861
Cash and short-term deposits	299,053	–	–	299,053
Total undiscounted financial assets	1,004,996	1,764,068	60,527	2,829,591
Financial liabilities:				
Loans and borrowings	837,187	940,862	–	1,778,049
Islamic medium term notes	3,570,667	–	–	3,570,667
Trade and other payables	774,865	–	–	774,865
Accrued operating expenses	209,829	–	–	209,829
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(3,571,427)	–	–	(3,571,427)
- Cross currency swaps (gross payments)	4,611,455	–	–	4,611,455
Total undiscounted financial liabilities	6,432,576	940,862	–	7,373,438
Total net undiscounted financial (liabilities)/assets	**(5,427,580)**	**823,206**	**60,527**	**(4,543,847)**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less	More than 1 year to 5 years	More than 5 years	Total
	IDR million	IDR million	IDR million	IDR million
Company				
2019				
Financial assets:				
Due from subsidiaries	–	4,611,360	–	4,611,360
Derivative financial assets				
- Cross currency swaps (gross receipts)	99,697	1,398,186	1,447,488	2,945,371
- Cross currency swaps (gross payments)	(71,847)	(1,281,419)	(1,408,487)	(2,761,753)
Dividend receivables	209,790	–	–	209,790
Cash and short-term deposits	35,293	–	–	35,293
Total undiscounted financial assets	272,933	4,728,127	39,001	5,040,061
Financial liabilities:				
Trade and other payables	31	–	–	31
Loans and borrowings	751,376	3,988,154	–	4,739,530
Islamic medium term notes	99,115	1,396,120	1,447,488	2,942,723
Accrued operating expenses	51,604	–	–	51,604
Total undiscounted financial liabilities	902,126	5,384,274	1,447,488	7,733,888
Total net undiscounted financial liabilities	**(629,193)**	**(656,147)**	**(1,408,487)**	**(2,693,827)**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) *Liquidity risk* (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less	More than 1 year to 5 years	More than 5 years	Total
	IDR million	IDR million	IDR million	IDR million
Company				
2018				
Financial assets:				
Due from subsidiaries	–	4,376,777	–	4,376,777
Loan to an associate company	6,456	47,797	60,527	114,780
Cash and short-term deposits	40,637	–	–	40,637
Total undiscounted financial assets	47,093	4,424,574	60,527	4,532,194
Financial liabilities:				
Trade and other payables	2,225	–	–	2,225
Loans and borrowings	837,187	940,862	–	1,778,049
Islamic medium term notes	3,570,667	–	–	3,570,667
Accrued operating expenses	64,586	–	–	64,586
Derivative financial liabilities				
- Cross currency swaps (gross receipts)	(3,571,427)	–	–	(3,571,427)
- Cross currency swaps (gross payments)	4,611,455	–	–	4,611,455
Total undiscounted financial liabilities	5,514,693	940,862	–	6,455,555
Total net undiscounted financial (liabilities)/assets	**(5,467,600)**	**3,483,712**	**60,527**	**(1,923,361)**

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to maintain the gearing ratio within the range of gearing ratios of leading companies in similar industry in order to secure access to finance at a reasonable cost. The Group includes within net debt, loans and borrowings, Islamic medium term notes, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

37. CAPITAL MANAGEMENT (continued)

The Group's net debt to adjusted equity ratio at the end of the financial years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	IDR million	**IDR million**
Loans and borrowings (Note 24)	4,345,800	1,731,355
Islamic medium term notes (Note 27)	2,376,514	3,492,597
Less:		
Cash and short-term deposits (Note 23(a))	(503,753)	(299,053)
Net debt	**6,218,561**	**4,924,899**
Equity attributable to owners of the Company	**8,082,046**	**7,771,110**
Gearing ratio	**76.9%**	**63.4%**

The Group monitors its key financial ratios that form part of its obligations under its loans and borrowings and Islamic medium term notes covenants to ensure compliance with them.

38. DIVIDENDS

	Group and Company	
	2019	**2018**
	IDR million	**IDR million**
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Final exempt (one-tier) dividend for 2018: SGD 0.02 (2017: SGD 0.02) per share	368,397	365,155
- Interim tax exempt (one-tier) dividend for 2019: SGD 0.0038 (2018: SGD 0.0075) per share	67,040	140,875
	435,437	506,030

The Directors have recommended for the Company to pay a final tax-exempt dividend of SGD 0.012 per ordinary share in respect of the financial year ended 31 December 2019. The payment of the dividend will be subject to the approval by shareholders at the forthcoming Annual General Meeting.

39. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform to the current year's presentation and to better reflect the nature of the transactions.

	Group	
	As reclassified	**As previously reported**
	2018	**2018**
	IDR million	**IDR million**
Statement of comprehensive income		
Revenue	8,377,370	8,381,185
Other income	15,173	11,358

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the years ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 23 March 2020.

SHAREHOLDERS' INFORMATION

As at 12 March 2020

Class of shares	:	Ordinary Shares
Issued and fully paid-up capital (including Treasury Shares and subsidiary holdings)	:	S$255,242,545
Issued and fully paid-up capital (excluding Treasury Shares and subsidiary holdings)	:	S$240,327,962
Number of shares issued (including Treasury Shares and subsidiary holdings)	:	1,757,531,844
Number of shares issued (excluding Treasury Shares and subsidiary holdings)	:	1,737,497,044
Number/Percentage of Treasury Shares	:	20,034,800 (1.15%)
Number/Percentage of Subsidiary Holdings	:	Nil (0%)
Voting rights (excluding Treasury Shares and subsidiary holdings)	:	One vote for per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 - 99	7	0.49	154	0.00
100 - 1,000	180	12.57	163,600	0.01
1,001 - 10,000	686	47.90	4,119,745	0.24
10,001 - 1,000,000	537	37.50	40,057,838	2.30
1,000,001 and above	22	1.54	1,693,155,707	97.45
	1,432	100.00	1,737,497,044	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Wellpoint Pacific Holdings Ltd.	749,157,774	43.12
2.	Oakridge Investments Pte Ltd.	535,050,070	30.79
3.	DBS Nominees Pte Ltd.	174,244,305	10.03
4.	Raffles Nominees (Pte) Limited	45,531,970	2.62
5.	HSBC (Singapore) Nominees Pte Ltd.	44,906,066	2.58
6.	Citibank Nominees Singapore Pte Ltd.	43,865,349	2.52
7.	Lynwood Capital Resources Pte Ltd.	21,622,000	1.24
8.	DBSN Services Pte Ltd.	13,991,761	0.81
9.	UOB Kay Hian Pte Ltd.	11,579,900	0.67
10.	OCBC Securities Private Ltd.	10,871,800	0.63
11.	Kong Goon Siong or Kong Goon Khing	7,737,000	0.45
12.	BPSS Nominees Singapore (Pte.) Ltd.	7,073,200	0.41
13.	Phillip Securities Pte Ltd.	5,503,885	0.32
14.	DBS Vickers Securities (S) Pte Ltd.	3,855,500	0.22
15.	Maybank Kim Eng Securities Pte. Ltd.	3,213,000	0.18
16.	DB Nominees (Singapore) Pte Ltd.	3,121,200	0.18
17.	RHB Securities Singapore Pte Ltd.	2,972,600	0.17
18.	CGS-CIMB Securities (Singapore) Pte Ltd.	2,907,027	0.17
19.	United Overseas Bank Nominees Pte Ltd.	1,822,300	0.10
20.	Chong Gong Gong	1,660,000	0.10
	Total	1,690,686,707	97.31

As at 12 March 2020

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	**%(1)**	**Number of Shares**	**%(1)**
Substantial Shareholders				
Wellpoint Pacific Holdings Ltd(2)(4)	905,557,774	52.119	–	–
Lim Hariyanto Wijaya Sarwono(2)	–	–	905,557,774	52.119
Lim Gunawan Hariyanto(2)	–	–	905,557,774	52.119
Fortune Corp Limited(2)	–	–	905,557,774	52.119
Fortune Holdings Limited(2)	–	–	905,557,774	52.119
Oakridge Investments Pte Ltd(3)	535,050,070	30.794	–	–
IOI Corporation Berhad(3)	–	–	556,672,070	32.039
Progressive Holdings Sdn Bhd(3)	–	–	556,672,070	32.039
Dato' Lee Yeow Chor(3)	–	–	556,672,070	32.039
Lee Yeow Seng(3)	–	–	556,672,070	32.039

Notes:

(1) Percentages are based on the issued share capital of the Company of 1,737,497,044 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

(2) Each of Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto is deemed to be interested in the Shares held by Wellpoint Pacific Holdings Ltd, a wholly owned subsidiary of Fortune Holdings Limited, by virtue of his joint interest in Fortune Holdings Limited and in Fortune Corp Limited, the fund management company that manages Fortune Holdings Limited. Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto are the only directors of Fortune Corp Limited. Under the discretionary fund management mandate, Fortune Corp Limited is vested with the power to manage the voting rights of Fortune Holdings Limited. Fortune Holdings Limited is in turn deemed to be interested in the Shares held by Wellpoint Pacific Holdings Ltd by virtue of its 100% shareholding interest in Wellpoint Pacific Holdings Ltd.

(3) Dato' Lee Yeow Chor, a non-executive director of the Company, is presently the Group Managing Director and Chief Executive of IOI Corporation Berhad ("IOI"). Dato' Lee Yeow Chor and Lee Yeow Seng are immediate family members and are deemed to be interested in the Shares held by Oakridge Investments Pte Ltd (535,050,070 Shares) and Lynwood Capital Resources Pte Ltd (21,622,000 Shares), each a subsidiary of IOI, by virtue of their collective 100% shareholding interest in Progressive Holdings Sdn Bhd.

(4) Includes 156,400,000 Shares which are held through bank nominees.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on information available and to the best knowledge of the Company, as at 12 March 2020, approximately 15.84% of the issued ordinary shares of the Company is held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BUMITAMA AGRI LTD. (the "**Company**") will be held at 10 Anson Road, #11-19 International Plaza, Singapore 079903, on Friday, 24 April 2020 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a final dividend of S$0.012 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2019 (2018: S$0.02).

(Resolution 2)

3. To re-elect the following directors of the Company retiring pursuant to Regulations 91 and 97 of the Company's Constitution:

Mr. Lee Lap Wah George	(Retiring under Regulation 91)	**(Resolution 3)**
Ms. Lim Christina Hariyanto	(Retiring under Regulation 91)	**(Resolution 4)**
Mr. Lawrence Lua Gek Pong	(Retiring under Regulation 97)	**(Resolution 5)**

*Mr. Lee Lap Wah George will, upon re-election as a director of the Company, remain as Chairman of the Audit Committee and the Nominating Committee and a member of the Remuneration Committee and the Conflicts Resolution Committee. Mr. Lee Lap Wah George will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**").*

Mr. Lawrence Lua Gek Pong will, upon re-election as a director of the Company, remain as Chairman of the Conflicts Resolution Committee and a member of the Audit Committee, the Remuneration Committee and the Nominating Committee. Mr. Lawrence Lua Gek Pong will be considered independent for the purposes of Rule 704(8) of the Listing Manual.

[See Explanatory Note (i)]

4. To approve the payment of directors' fees of S$317,500 for the financial year ending 31 December 2020, to be paid quarterly in arrears (2019: S$317,500)

(Resolution 6)

5. To re-appoint Ernst & Young LLP as the Company's auditors and to authorise the directors to fix their remuneration.

(Resolution 7)

6. To transact any other ordinary business which may be transacted at an annual general meeting of the Company.

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **MODIFICATIONS TO, AND RENEWAL OF, THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH IOI CORPORATION AND ITS ASSOCIATES**

That for the purposes of Chapter 9 ("**Chapter 9**") of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

(a) approval be and is hereby given for the modifications to, and renewal of, the mandate for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions, the particulars of which are as set out in Annexure I to the Appendix dated 9 April 2020 to the Annual Report (the "**Appendix**"), with any party who is named in Annexure I to the Appendix, provided that such interested person transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and in accordance with the guidelines of the Company for such interested person transactions as set out in Annexure I to the Appendix (the "**Shareholders' Mandate for IOI Transactions**");

(b) the Shareholders' Mandate for IOI Transactions shall, unless revoked or varied by the Company in a general meeting, continue in force until the date that the next annual general meeting of the Company is held or is required by law or the Constitution of the Company to be held, whichever is earlier;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures described in Annexure I to the Appendix and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they, or each of them, may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate for IOI Transactions and/or this resolution as they may think fit.

[See Explanatory Note (ii)]

(Resolution 8)

8. **SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore (the "**Companies Act**"), the Constitution of the Company and in accordance with Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), approval be and is hereby given to the directors of the Company to issue:

(a) shares in the capital of the Company (whether by way of rights, bonus or otherwise); or

(b) convertible securities; or

(c) additional convertible securities arising from adjustments made to the exercise price or conversion price and, where appropriate, the number of convertible securities previously issued in the event of a rights issue, bonus issue or subdivision or consolidation of shares pursuant to Rule 829 of the Listing Manual; or

(d) shares arising from the conversion of convertible securities, at any time and upon such terms and conditions and for such purposes as the directors of the Company may in their absolute discretion deem fit provided that:

(i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, or such other limit as may be prescribed by the SGX-ST, as at the date this resolution is passed;

(ii) the aggregate number of shares and convertible securities that may be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, or such other limit as may be prescribed by the SGX-ST, as at the date this resolution is passed;

(iii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued under sub-paragraphs (i) and (ii) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date this resolution is passed shall be calculated after adjusting for: (1) new shares arising from the conversion or exercise of convertible securities; (2) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and (3) any subsequent bonus issue, consolidation or subdivision of the Company's shares, provided that any adjustments made under sub-paragraphs (1) and (2) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting as at the date this resolution is passed; and

(iv) unless earlier revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company ("**AGM**") or the date by which the next AGM is required by law or the Constitution of the Company to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 9)

9. RENEWAL OF THE SHARE BUYBACK MANDATE

That:

(a) for the purposes of the Companies Act (Cap. 50) of Singapore (the "**Companies Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period (as hereafter defined), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases transacted through the SGX-ST's trading system or on another stock exchange on which the issuer's equity securities are listed ("**Market Acquisitions**"); or

(ii) off-market acquisitions in accordance with an equal access scheme as defined in Section 76C of the Companies Act ("**Off-Market Acquisitions**"),

and otherwise in accordance with all other provisions of the Constitution of the Company, the Companies Act and the Listing Manual as may for the time being be applicable (the "**Share Buyback Mandate**");

(b) the authority conferred on the directors of the Company pursuant to the Share Buyback Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company ("**AGM**") is held or is required by law or the Constitution of the Company to be held, whichever is earlier;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the shareholders of the Company in a general meeting;

(c) in this resolution:

"**Prescribed Limit**" means that number of issued Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of passing of this resolution unless: (i) the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act; or (ii) the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be taken to be the total number of issued Shares (excluding treasury shares and subsidiary holdings) as altered;

"**Relevant Period**" means the period commencing from the date on which the AGM at which this resolution is passed is held and expiring on the date on which the next AGM is held or is required by law or the Constitution of the Company to be held, whichever is earlier, after the date of this resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Acquisition: 105% of the Average Closing Price;

(ii) in the case of an Off-Market Acquisition pursuant to an equal access scheme: 120% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five market days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Acquisition or, as the case may be, the day of the making of the offer pursuant to the Off-Market Acquisition, and deemed to be adjusted for any corporate action that occurs during such five-market day period and the day on which the purchases are made; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Acquisition; and

(d) any of the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this resolution.

[See Explanatory Note (iv)]

(Resolution 10)

By Order of the Board

Chiang Wai Ming
Company Secretary

Singapore, 9 April 2020

Explanatory Notes on Resolutions to be passed:

(i) Pursuant to Rule 720(6) of the Listing Manual, further information on Mr. Lee Lap Wah George, Ms. Lim Christina Hariyanto and Mr. Lawrence Lua Gek Pong is set out in the Corporate Governance Report titled "Additional Information on Directors seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" on page 56 of the Annual Report.

(ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will modify and renew the Shareholders' Mandate for IOI Transactions to authorise the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the mandated transactions with any party who is named in Annexure I to the Appendix, and will empower the directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate for IOI Transactions and/or Ordinary Resolution 8. Such authority will, unless previously revoked or varied by the Company in a general meeting, continue in force until the date that the next AGM is held or is required by law or the Constitution of the Company to be held, whichever is earlier. Information relating to this proposed resolution is set out in the Appendix dated 9 April 2020 to the Annual Report.

(iii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the directors of the Company from the date of this AGM until the date of the next AGM, to allot and issue shares and convertible securities in the Company up to an aggregate amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

(iv) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the directors of the Company from the date of this AGM until the next AGM to repurchase fully-paid ordinary shares of the Company by way of market acquisitions or off-market acquisitions of up to ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any as at that date) in the capital of the Company at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price. Information relating to this proposed resolution is set out in the Appendix dated 9 April 2020 to the Annual Report.

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

2. Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the AGM. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Anson Road #11-19, International Plaza, Singapore 079903 or email to *agm2020@bumitama-agri.com*, with not less than seventy-two (72) hours before the time appointed for holding the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

BUMITAMA AGRI LTD.

(Incorporated in Singapore)
(Co. Reg. No: 200516741R)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote the Annual General Meeting (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ____

of ____

being a member/members of Bumitama Agri Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 10 Anson Road, #11-19 International Plaza, Singapore 079903, on Friday, 24 April 2020 at 10.30 a.m., and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the Meeting, as indicated hereunder for *me/us and on *my/our behalf at the Meeting and at any adjournment thereof. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2019			
2	Payment of a final dividend			
3	Re-election of Mr. Lee Lap Wah George as Director			
4	Re-election of Ms. Lim Christina Hariyanto as Director			
5	Re-election of Mr. Lawrence Lua Gek Pong as Director			
6	Approval of Directors' fees amounting to S$317,500 for the year ending 31 December 2020			
7	Re-appointment of Ernst & Young LLP as Auditors			
8	Modifications to, and Renewal of, the Shareholders' Mandate for Interested Person Transactions with IOI Corporation and its Associates			
9	Share Issue Mandate			
10	Renewal of Share Buyback Mandate			

**Delete where inapplicable*

Dated this __________ day of ________________ 2020

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)/
and Common Seal of Corporate Shareholder

NOTES

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy or proxies will be deemed to relate to all the Shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy (expressed as a percentage of the whole). If no proportion is specified, the Company shall be entitled to deem the appointment to be in the alternative.

3. A proxy need not be a member of the Company.

4. Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

1st fold here

Affix
postage
stamp

Bumitama Agri Ltd.
10 Anson Road
#11-19 International Plaza
Singapore 079903

2nd fold here

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #11-19, International Plaza, Singapore 079903 or email to *agm2020@bumitama-agri.com*, with not less than seventy-two (72) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2020.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

3rd fold here

Apply glue here

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:
Lim Gunawan Hariyanto
(Executive Chairman and Chief Executive Officer)
Lim Christina Hariyanto
(Executive Director)

Non-Executive & Non-Independent:
Dato' Lee Yeow Chor

Independent:
Lee Lap Wah George
(Lead Independent Director) (appointed on 1 January 2020)
Lim Hung Siang
Lawrence Lua Gek Pong

AUDIT COMMITTEE
Lee Lap Wah George
(Chairman)
Lim Hung Siang
Lawrence Lua Gek Pong

NOMINATING COMMITTEE
Lee Lap Wah George
(Chairman)
Lim Hung Siang
Lawrence Lua Gek Pong

REMUNERATION COMMITTEE
Lim Hung Siang
(Chairman)
Lee Lap Wah George
Lawrence Lua Gek Pong

CONFLICTS RESOLUTION COMMITTEE
Lawrence Lua Gek Pong
(Chairman)
Lee Lap Wah George
Lim Hung Siang

COMPANY SECRETARY
Chiang Wai Ming, ACIS

REGISTERED OFFICE
10 Anson Road
#11-19 International Plaza
Singapore 079903
Tel: (65) 6222 1332
Fax: (65) 6222 1336
www.bumitama-agri.com

SHARE REGISTRARS
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

PARTNER-IN-CHARGE
Low Bek Teng
(with effect from the financial year ended 2016)

INVESTOR RELATIONS
Christina Lim
clim@bumitama-agri.com
Glenn Ho
glenn.ho@bumitama-agri.com

Bumitama Agri Ltd.

Excellence Through Discipline

REGISTERED OFFICE

10 Anson Road
#11-19 International Plaza
Singapore 079903

Tel: (65) 6222 1332
Fax: (65) 6222 1336

www.bumitama-agri.com